| | | | | | |
|---|---|---|---|---|---|
| Austria | Sch30 | Iran | Rls210 | Pakistan | Rs35 |
| Bahrain | Din0.900 | Israel | Shk4.50 | Philippines | Pso40 |
| Belgium | BFr60 | Italy | L2200 | Poland | Zl 15,000 |
| Cyprus | C£1.00 | Jordan | JD1.20 | Portugal | Es175 |
| Denmark | DKr15 | Korea | Won 2000 | Qatar | QR10.00 |
| Egypt | E£3.50 | Kuwait | Fils.500 | S Arabia | SR8.00 |
| Finland | FM6.50 | Lebanon | L£1,000 | Singapore | S$4.10 |
| France | FFr6.00 | Lux | LFr60 | Spain | Pta175 |
| Germany | DM3.00 | Malta | 45 cents | Sweden | SKr13 |
| Greece | Dr200 | Morocco | MDh10 | Switz | SFr2.70 |
| Hungary | Ft145 | Neth | Fl 3.50 | Thailand | Bht50 |
| Iceland | IKr180 | Nigeria | Naira15 | Tunisia | Din0.800 |
| India | Rs20 | Norway | NKr13.00 | Turkey | L5000 |
| Indonesia | Rp3100 | Oman | OR1.20 | UAE | Dh8.00 |

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Tuesday August 13 1991

D 8523A

**BRAZIL**

**Coffee and oranges make way for trees**

Page 20

**World News**

## EC prepared to convene talks on Yugoslavia

The European Community may convene an international conference on Yugoslavia's future if efforts by the Yugoslav federal authorities fail to get negotiations started between all parties in the crisis.

Moves towards convening such a conference coincided with a call by Slobodan Milosevic, the president of Serbia, for a new constitution which would formally lead to a Yugoslavia dominated by the Serbs. Page 14; Deaf ear to war drum, Page 2

**Extra money for Albania**

The European Community pledged an additional Ecu2m ($2.4m) to Albania, as the Italian authorities continued to repatriate thousands of Albanians who have been seeking asylum in the west. Page 2; Editorial Comment, Page 12

**Bulgaria poll postponed**

The Bulgarian general election, originally scheduled for September 29, is to be postponed because of a delay in enacting polling laws. Parliament chairman Nikolai Todorov said the election would probably now be held on October 13.

**Interior minister held**

Mozambique's interior minister, Manuel Antonio, has been detained for questioning in connection with investigations into a coup plot discovered in June, Radio Mozambique said. He is the first member of the government held in connection with the plot.

**Kuwait bans internment**

Kuwait, trying to improve an image tarnished by martial court trials after the Gulf war, has outlawed the indefinite detention of political prisoners.

**Police 'beat protesters'**

Mauritanian police beat dozens of women with heavy sticks to break up a protest over human rights, witnesses said. About 40 women were injured, mostly by blows to the head, neck and back.

**Seats are uncontested**

Nearly one-third of seats in Hong Kong's first democratic parliamentary elections, a big step toward representative government before China regains sovereignty in 1997, failed to attract more than one candidate. A democratic breeze, Page 4

**Capital at a standstill**

Tens of thousands of demonstrators massed in Madagascar's capital, Antananarivo, and a general strike brought the city to a standstill after violent clashes at the weekend which killed at least 11 people.

**China cool on arms plan**

China has given a lukewarm reception to Japan's proposal for a UN-run scheme reporting international weapons transfers, put to the Group of Seven meeting in London last month. Page 4

**Corruption claims widen**

Allegations of corruption centred on former Peruvian president Alan Garcia have broadened to include other members of the 1985-90 American Popular Revolutionary Alliance Party administration. Page 5

**Win for Peronists**

Argentina's ruling Peronist party got off to a good start in mid-term elections on Sunday, winning a surprise victory in one of three provinces at stake in the first round and retaining another. Page 5

**Explosion kills 16**

A 70-year-old Chinese man trying to pack explosives into bullets to hunt birds set off a blast that killed himself and 15 other people and injured at least 80 in the south-western city of Nanning, an official newspaper reported. The blast damaged 29 homes in the neighbourhood.

**Business Summary**

## Pan Am sale hopes rise as Delta raises offer

PAN AM, financially strapped US airline, moved closer to gaining bankruptcy court approval for its proposed asset-sale to Delta Air Lines after Delta sharply improved its offer to meet Pan Am creditors' objections.

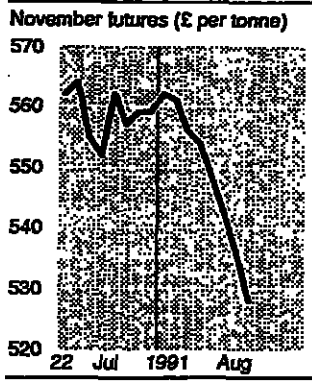
Under the deal, Delta would pay $416m in cash for Pan Am's East Coast Shuttle and its remaining European routes and would invest $305m in a reorganised Pan Am. Page 15

BTR, UK industrial conglomerate, sold its Pretty Polly hosiery business to Sara Lee, Chicago-based consumer products group, in a deal worth £117.5m ($199.5m). Page 15; Lex, Page 14; Still waiting for the bite, Page 19

COFFEE: Robusta coffee futures eased in London in a day of mainly cross trading. Near November fell £9 to £527 a tonne. Volume totalled about 4,500 lots, 3,200 of which were cross trades. Page 20

**Coffee**

November futures (£ per tonne)




TOLL ROAD: A joint venture between Trafalgar House, UK construction, property, shipping and hotels group, and Italstat, Europe's biggest toll road operator, won a concession to build Britain's first privately financed toll motorway. Page 14; Background, Page 6

PORT SALE: The north-east British port of Tees & Hartlepool is being put up for sale with a price tag likely to exceed £120m ($204m). It is the first to take advantage of laws paving the way for the privatisation of ports owned by self-governing trusts. Page 14

NORSK DATA, troubled Norwegian computer manufacturer, signed distribution agreements with IBM, world's largest computer manufacturer, and Apple Computer, personal computer maker, in another step to securing its future in the industry. Page 16

TELECOMS: Portugal appears set to chose Telecel, a US-backed consortium, for the licence to operate a new private mobile telephone network. Page 3

SHELL South Africa and BP Southern Africa announced a R450m ($158.4m) capacity expansion to the Sapref refinery in Durban, the largest oil refinery in Africa. Page 17

CHINA is preparing a report on its economic reforms in an effort to convince world trade officials that it should be admitted to the General Agreement on Tariffs and Trade. Page 3

SNC Group, Canadian project engineering and construction company, is to buy the engineering business of Lavalin, the country's biggest engineering group, for an undisclosed price. Page 17

PEARSON, UK publishing, banking and industrial group and publisher of the Financial Times, reported pre-tax profits of £40.7m ($69m) for the first half of 1991 – down more than 50 per cent on the same period last year. Page 15

LVMH Moët Hennessy Louis Vuitton, French luxury goods maker, reported a 3.8 per cent increase in first half consolidated sales. Sales overall reached FFr9.3bn ($1.6bn). Page 16

### BankAmerica and Security Pacific to join forces in $4.3bn deal

# Biggest US banking merger

By Martin Dickson in New York

BANKAMERICA, the San Francisco-based bank, and Security Pacific, its leading Californian rival, yesterday announced plans for a $4.3bn (£2.5bn) merger – the biggest in US banking history.

The move, which will make them a regional powerhouse across the American West, involves a share offer by BankAmerica, the second-largest bank in the US and one of its best capitalised, for Los-Angeles based Security Pacific, the fifth largest in the nation before the latest merger round.

Security Pacific has been struggling with a poorly performing loan portfolio, both in California and overseas.

The deal, which is likely to involve many redundancies, is the latest in a series of huge mergers between US banks. This is being driven by a need to cut costs and by proposed legal changes which will make it easier and more profitable for banks to operate across state lines.

In July, two New York banks, Chemical Banking and Manufacturers Hanover, agreed to merge in a deal which would then have created the second largest US bank after Citicorp, ranked by assets. Two southern regional institutions – NCNB and C&S/Sovran – also announced a deal which would have created the third biggest.

However, yesterday's Californian deal eclipses those and will enable BankAmerica Corporation – as the combined group will be known – to retain its number two position.

It will have an asset base of $190bn, compared with $217bn for Citicorp, $135bn for the post-merger Chemical Banking and $118bn for Nationsbank, the post-merger NCNB group.

But BankAmerica and Security Pacific claimed yesterday that the new bank would have more capital, greater pro forma market capitalisation, more domestic assets and the largest branch network of any existing or proposed company.

**LEADING US BANKS**

| Bank | Assets ($bn) |
|---|---|
| Citicorp | 217.3 |
| Chemical Bank Corp (incl. Man. Hanover) | 135.4 |
| NationsBank (C&S/Sovran/NCNB) | 118.2 |
| BankAmerica | 113.2 |
| Chase Manhattan | 99.4 |
| J P Morgan | 96.9 |
| Security Pacific | 80.4 |

Research: Rivka Nachoma

Mr Richard Rosenberg, chairman and chief executive of BankAmerica, said the aim was to create a bank "pre-eminent in the US and even better positioned on a global basis". The merger, he argued, was "part and parcel of the process necessary to make US banks more competitive in the world again".

The plan was warmly welcomed on Wall Street. BankAmerica's shares rose $1⅛ in morning trading on the New York Stock Exchange, to $38½, while Security Pacific leapt $8⅝ to $31⅞.

The merger, which is expected to take about six months to complete, involves BankAmerica offering 0.88 of one of its shares for every Security Pacific share, putting a value of about $4.3bn on the Los Angeles company.

BankAmerica, which five years ago was one of the most financially troubled of the large US banks, has staged a remarkable recovery to become one of the strongest and most expansive, snapping up assets across the West.

It also staged an unsuccessful bid earlier this year for the insolvent Bank of New England.

Yesterday's deal will give the bank operations in 10 Western states, including a dominant hold on the California market and the largest share in Washington state. It will also rank among the top three in Arizona, Nevada, New Mexico and Oregon.

Although Security Pacific has been sharply reducing its foreign operations, the combined bank will have a substantial international presence, particularly in the Asian market.

A reserve of around $700m would be needed to cover the cost of restructuring and integrating their operations. The two banks said they believed they could produce annual savings of about $1bn in three years.

Lex, Page 14
Facing the nation, Page 15

# UN pleased by Israel's stance on hostage talks

By George Graham in Washington, Victor Mallet in Jerusalem and Roger Matthews in London

MR Javier Pérez de Cuéllar, the United Nations secretary general, said in Geneva yesterday that he was pleased by Israel's positive reaction to talks on achieving the release of the remaining hostages held in Lebanon.

But President George Bush complained that the letter delivered to Mr Pérez de Cuéllar on Sunday by Mr John McCarthy, the released British hostage, from Islamic Jihad, the extremist Moslem group, created new confusion over the kidnappers' precise demands.

The UN secretary general, after studying the letter and holding talks with Mr Uri Lubrani, the Israeli official with special responsibility for Lebanon, commented:

"The first reaction I have heard from the Israelis is a positive one, but I have to see them again in order to know what is their clear-cut official position."

Mr Lubrani returned to Israel last night and was due to brief Mr Yitzhak Shamir, the prime minister.

Shia Moslem leaders in Lebanon have stressed that the key to the release of the remaining 10 western hostages lies in Israel's willingness to free nearly 400 Lebanese detainees. The letter from Islamic Jihad speaks of a "global release" of prisoners and referred particularly to those held in "Palestine and Europe".

Shia cleric removes his sphinx-like mask.... Page 14

This caused Mr Bush yesterday to play down suggestions that the letter might contain the outlines for a deal to release more hostages. "We're back in the rumour game, the broad demand game," he said, repeating that the proper framework for a deal was the release of all hostages.

White House officials said there were "some positive aspects" to the Islamic Jihad letter. They cited its call on the UN secretary general to keep up negotiations and its readiness to discuss the release of all hostages.

"We continue to believe that all hostages and others confined outside the legal process in the region, regardless of nationality, should be released, and that there should also be an accounting for all those who have died in captivity," said Mr Marlin Fitzwater, the White House spokesman.

Israel last night again insisted that its seven servicemen missing in Lebanon would have to be accounted for, if the 400 or so Lebanese Shia Moslems held by Israel and its allies were to be freed.

There was no confirmation of reports that a complex deal involving the release of Lebanese and western hostages and the Israelis is being implemented. The UK Foreign Office last night denied involvement in any secret talks.

Mr Pérez de Cuéllar added earlier that the problem did not concern only Israel. "I need the support of all countries directly or indirectly concerned. If it is necessary I would not hesitate to go to the Middle East."

Iran yesterday revived the issue of four Iranians missing in Lebanon since 1982, demanding definitive word on their fate in exchange for help mediating the freedom of remaining western hostages.

Vice president Hassan Habibi said that Iran would continue to assert "what is being interpreted as influence" to help free western captives.

Uri Lubrani: gave UN secretary general a positive reaction

## UK firm of accountants agrees to pay £40m to Ferranti

By David Waller and Charles Leadbeater

KPMG Peat Marwick, the UK's second largest accountancy firm, has agreed to pay £40m ($68.4m) to Ferranti International to settle damages litigation brought by the electronics company in the wake of its disastrous acquisition of International Signal & Control, a former Peat Marwick audit client.

The payout, which Peat Marwick is making without admitting any liability, is the largest payment made by a firm of UK accountants to a single plaintiff, although it is not as much as the £50m in total paid by Arthur Young to two separate parties after its audits of Johnson Matthey Bankers which was rescued by the Bank of England in 1984.

Ferranti initially hoped to claim damages of £400m from Peat Marwick over its auditing of ISC's books prior to its acquisition by Ferranti in 1987. After the discovery of an alleged £215m fraud involving ISC in 1989, Ferranti created a special share for shareholders to benefit from any of the proceeds of litigation.

However, Mr Eugene Anderson, who was appointed Ferranti chairman as part of a new management team in the wake of the fraud, said there would be no dividend payment to special shareholders as the company's finances were still in such poor health.

Mr Jim Butler, Peat Marwick senior partner, said: "We thought it was an appropriate time to settle." Mr Butler said the payout would be covered by the firm's professional indemnity insurance arrangements. He would not comment on the reasoning behind the settlement, simply saying it would remove the need for a protracted court case.

The litigation was brought in January 1990 during the time of former Ferranti chairman Sir Derek Alun-Jones. He argued that the company had relied heavily on the pattern of rising profitability shown by the ISC accounts as audited by Peat Marwick in deciding to go ahead with the ISC acquisition.

Peat Marwick paid £30m of the settlement on Friday last week; the balance is payable in February next year. Mr Anderson said Ferranti had decided to accept the offer, after counsel's advice.

Background, Page 17
Lex, Page 14

# World economic growth to fall to 1.5%, report predicts

By Andrew Hill in Brussels

WORLD economic growth will fall to 1.5 per cent this year, according to European Commission forecasts, although it should recover to 2.8 per cent in 1992.

A general collapse in consumer and investor confidence because of the Gulf war, and an acceleration of inflation and deteriorating external accounts in Asia, have taken their toll on the world economy, says the Commission's latest report on economic trends published yesterday.

When the world economy peaked in 1988, gross domestic product – excluding central and east European countries and the Soviet Union – was growing by 4.4 per cent annually, and last year it grew by 2.4 per cent.

The Commission's economic and financial affairs directorate now forecasts that GDP growth will halve to 1.4 per cent in the EC in 1991, and slip from 1 per cent to just 0.1 per cent in the US.

However, it says countries already in recession, such as the US and the UK, are now showing signs of emerging from the downturn and the chances of "a progressive recovery of the world economy" are positive.

Industrial investment in the European Community is likely to be held back this year because of a sharp cut in investment by British industry. According to an EC survey published yesterday, businesses are forecasting an average 2 per cent drop in the volume of industrial investment, but UK companies are planning cuts of 15 per cent.

Last year the UK decline in investment was 1 per cent, compared with an increase of 6 per cent across the community. Details, Page 2

"The most probable scenario for the months ahead is that in the industrialised economies there will be on average a moderate upturn in growth and a narrowing of cyclical differences," the report says.

The scale of recovery of the industrialised economies will depend on countries' ability to release savings to meet new needs and reduce financial imbalances, their control of inflationary pressures, and further progress towards world trade liberalisation.

The report says output in central and east European countries has fallen by between 5 per cent and 15 per cent. Economic activity in these countries could pick up next year, the Commission says, but in the Soviet Union there is a risk that economic difficulties will get worse "in the absence of clear and credible prospects of major structural reforms".

The report outlines three difficulties facing economic recovery.

Firstly, financial instability if large industrial countries fail to adopt the correct monetary and fiscal policies.

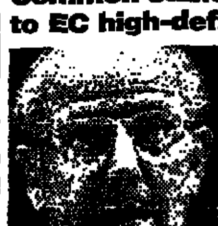
Second is the risk that the economic transformation of eastern Europe will fail, giving rise to social and political unrest there. Finally a lack of progress towards the liberalisation of world trade.



CONTENTS



**Common standard seen as vital to EC high-definition TV role**



Mr Filippo Maria Pandolfi (left), EC research commissioner, faces the tough task of coaxing the broadcasting and electronics industries into agreement over a common-standard for high-definition TV

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MARKETS

**STERLING**
**lunchtime**
$1.698
**London:**
$1.698 (1.696)
DM2.93 (2.93)
FFr9.9825 (9.967)
SFr2.585 (2.5675)
Y231.75 (232.0)
£ index 90.8 (90.8)

**GOLD**
**New York:** Comex Dec
$363.6 (364.4)
**London:**
$358.35 (358.25)

**N SEA OIL** (Argus)
Brent Sep
$19.625 (19.525)

Chief price changes yesterday: Page 15

**DOLLAR**
**New York lunchtime:**
DM1.7245
FFr5.867
SFr1.50825
Y136.5
**London:**
DM1.725 (1.7275)
FFr5.8675 (5.875)
SFr1.51 (1.5135)
Y136.5 (136.8)
$ index 66.3 (66.2)
**Tokyo close:** Y136.4

**US LUNCHTIME rates**
**Fed Funds:** 5$\frac{9}{16}$%
**3-mo Treasury Bills:**
5.458%
**Long Bond:**
98$\frac{15}{16}$
yield: 8.215%

**STOCK INDICES**
**FT-SE 100:**
2,569.4 (−1.2)
**FT Ordinary:**
2,007.5 (+2.0)
**FT-A All-Share:**
1,228.59 (−0.19%)
**New York lunchtime:**
DJ Ind. Av.
2,990.83 (−5.37)
S&P Comp
386.66 (−0.46)
**Tokyo:** Nikkei
22,985.67 (−448.95)

**LONDON MONEY**
**3-month interbank:**
10$\frac{11}{32}$% (10$\frac{11}{32}$)
**Liffe long gilt future:**
Sep 92$\frac{29}{32}$ (93$\frac{13}{32}$)

EUROPEAN NEWS

# EC promises extra money for Albania

By Judy Dempsey, East Europe Correspondent

THE European Community yesterday promised an additional Ecu2m ($2.4m) to Albania, as the Italian authorities continued to repatriate thousands of Albanians who have been vainly seeking asylum in the west.

The aid, agreed by the European Commission, will be used for emergency supplies of food and medicine to the Albanian government. The EC aid package now amounts to Ecu4m, following an earlier package granted after elections in Albania in April, as well as 50,000 metric tons of wheat.

The EC meeting coincided with talks in Tirana between Mr Gianni de Michelis, the Italian foreign minister, and Mr Ylli Bufi, the Albanian prime minister, and other Albanian officials.

It is understood that the government in Rome has promised more aid to the Albanian government as a means of stemming the exodus of would-be refugees.

More than 20,000 Albanians have settled in Italy since the first mass migration in June last year. But since March, the Italian government has adopted a tougher stance towards the Albanians, on the grounds that many are escaping economic misery, and are not genuine political refugees.

The EC also agreed to send a mission to Tirana to decide what food supplies the country needs in the medium-term.

However, in Italy, several hundred Albanians out of about 10,000 who have arrived in the south of the country in the past week, refused to be deported. A further 1,000 are refusing to leave the soccer stadium in the southern port of Bari where they have been held since arriving in Italy.

The Italian police offered $40 and new clothes to each Albanian if he returned home. Most of the 10,000 Albanians are being deported on aircraft and ships chartered by the Italian government.

Early yesterday police said that they were preparing to use force if more than 500 refugees on a pier in the port city refused to be repatriated.

But in a sign of the political sensitivity of the operation, Italy's top police chief later said he would "exclude" a police operation.

The tough action by the police and the authorities has been criticised by the Italian media.

"The dream of the Albanians has died, but also that of the Italians," reported Corriere Della Sera, the Milan daily. "The world's fifth industrial power is not even capable, in three days, of distributing 10,000 cups of coffee," it added.

# Rural Serbia turns deaf ear to war drum

By Laura Silber in Belgrade

THE CAMPAIGN of Mr Slobodan Milosevic, the president of Serbia, to expand the borders of Yugoslavia's biggest republic finds a dim echo in Serbia's rural heartland.

"This is not a battle for Serbs, or even Serbia, this is Mr Milosevic's war," said Mr Stojan Jovanovic, a farmer in Ivanovci, a village in the central Serbian region of Sumadija.

The peasants of Ivanovci, about 90km south of Belgrade, the Serbian and federal capital, appear frightened rather than exhilarated by the warmongering of Mr Milosevic.

Indeed, they feel betrayed by his failure to rectify the disastrous position of agriculture in Serbia.

His portrait two years ago was plastered on shop windows throughout towns and villages in the region. It has since disappeared.

Mr Milosevic is no longer seen as a hero for his promise to restore Serbian unity. Instead, many peasants have switched their loyalties to Mr Vuk Draskovic, who heads the right-wing opposition Serbian Renewal Movement.

"We have never been communists. Mr Draskovic wants peace in Serbia without the red star," said a 70-year-old farmer in the village tucked in the hills of Sumadija.

Serbia's Socialist (former Communist) Party (SPS) has tried to crush the opposition by calling them traitors to Serbia, but the Serbian Renewal Movement and the centrist Democratic Party (DP), have persisted in attacking the government for provoking an unnecessary civil war in Yugoslavia.

Calm returns to Dalj, scene of bloody fighting early in the month, as villagers chat under the watchful eye of a soldier from the federal Yugoslav army

The DP is sponsoring an initiative for opposition parties from all six republics to meet for negotiations on the Yugoslav crisis, with the aim of breaking the governing socialists' monopoly on conducting negotiations.

Despite the SPS-controlled media, and the battle cry for war, the people of Ivanovci are not disposed to fight.

Instead, they complain of the difficulties of eking out an existence. They point out that young people are abandoning the villages, because communism has failed to invest in rural life.

Yet, it is the people of Sumadija who would be the foot-soldiers in the event of an all-out war against Croatia.

Since the first Serbian uprising in 1804 against the Turkish Empire, Sumadija's peasants have taken up arms to defend Serbia. During the Second World War Sumadija was a stronghold of the Chetniks, troops loyal to the Serbian king.

Mr Jovanovic, who earns a monthly wage of YD3,000 ($136) in a foundry in the nearby town of Ljig, supports Serbia's opposition. He and his wife Jana, who raise livestock in an attempt to make ends meet, follow Belgrade politics closely.

He is proud that his father fought for Serbia in both world wars. He says that Mr Milosevic's policies have left Serbia in a desperate position. As he spoke, low-flying army jets broke the silence of the village.

Mr Jovanovic says his patriotism is not in question. "But there is no reason why we should go to war now."

# UK drags down EC industrial investment

By Andrew Hill in Brussels

INDUSTRIAL investment in the European Community is likely to be held back this year because of a sharp cut in investment by British industry, according to a European Commission survey published yesterday.

EC businesses are forecasting a 2 per cent drop in the volume of industrial investment this year, but UK companies are planning reductions of 15 per cent, by far the gloomiest outlook for any of the 12 member states.

Last year, the British decline in investment was 1 per cent, compared with an increase of 6 per cent across the Community.

The Commission said in its report that "the drastic cutback in investment plans in the UK" was responsible for the decline in the average forecast of industrial investment across the EC which it blamed on the fall in capacity use, economic uncertainties in some countries and weaker export demand.

"It is clear that the expected end of the recession [in Britain] has as yet had no positive effect on investment plans.... Were it not for this dramatic decline in the UK, investment plans in the Community in 1991 would remain at least at last year's level," said the report.

This is the second Brussels survey in the past month to have exposed Britain as an economic laggard, although EC officials have been quick to point out that the Commission is only reporting statistical information, not blaming the UK.

Last month, a report on Community unemployment caused a political fuss in London when the Commission forecast that British unemployment would rise to 3m next year, and largely blamed the recent increase in EC unemployment levels on heavy job losses in Britain.

The business and consumer survey published yesterday was conducted in March and April. It shows that in most member states pessimism about the industrial outlook has deepened since last autumn, when EC businesses were expecting to increase industrial investment by 3 per cent in 1991.

The Commission said that France and Spain were likely to experience the most drastic slowdown in investment this year. Investment increased by 12 per cent in France and by 14 per cent in Spain during 1990, but they were now forecasting cuts of 6 per cent and 3 per cent this year.

# Russian deputies try to delay signing of new union pact

By John Lloyd in Moscow

A REVOLT among Russian deputies over the secrecy and haste with which the union treaty is being rushed to signature may delay its signing next Tuesday.

A delegation of deputies representing various, even opposing factions in the Russian parliament will see Mr Boris Yeltsin, the Russian president, tomorrow to ask him not to sign the treaty as planned on August 20. It has already been announced that Russia, with Belorussia, Kazakhstan, Uzbekistan and Tadjikistan will sign on that date.

Mr Leonid Volkov, a leader of the social democratic faction in the Russian parliament, said last night that a meeting of deputies yesterday from both the Democratic Russia group and the communist group agreed to oppose the signature of the treaty because its terms were not known and the Supreme Soviet had not debated it in its final form. Mr Volkov said that "it now seems probable that Yeltsin will not sign the treaty on the 20th, if a decent pretext can be found for not doing so".

The deputies' meeting yesterday and the planned demand to the Russian president is another in an escalating series of alarm signals over the treaty, whose final terms have been agreed between republican presidents and President Mikhail Gorbachev in small closed meetings.

It is significant that groups who normally dislike and distrust each other – the Russian democrats and the Russian communists – would be prepared to work together against Mr Yeltsin on this issue. The hardline communists in the Russian Communist Party have long opposed the union treaty as a charter for the break-up of the union, while many democrats see it as a way of preventing just such an outcome. However, both sides have an interest in open debate.

Mr Volkov said that treaty would have to be examined at least by the presidium of the Russian Supreme Soviet, now in recess. If this were done, it is certain that the supreme soviets of the other union republics whose leaders have said they will sign the treaty will also demand discussion of it.

In Russia's case, the terms of the treaty on autonomous republics (of which there are 16 on Russian territory) are causing particular alarm to many deputies. Under the final draft of the treaty, the autonomous republics can, in the case of a dispute between themselves and the Russian authorities, appeal direct to the Union government, a measure which many Russian deputies see as destructive of Russia's authority.

# Treaty heralds a victory without content

## John Lloyd on a Soviet document likely to prove a staging post in the transition to a new era

THE document which is designed to act as the basis of a free union of sovereign Soviet republics is due to be signed a week today.

Much heralded and much redrafted, the document will be "open for signing" to all 15 Soviet republics: on August 20, with great ceremony, five are actually due to initial it – Russia, Belorussia, Kazakhstan, Uzbekistan and Tadjikistan.

This has been a political feat stemming from the agreement made on April 23 at the government dacha of Novo Ogarevo. The leaders of nine republics – those mentioned above plus Ukraine, Azerbaijan, Turkmenia and Kirghizia – and Soviet President Mikhail Gorbachev came together to agree to work out both a treaty and some form of economic co-operation.

Since then this pact, especially that between Mr Gorbachev and Mr Boris Yeltsin, the Russian president, has been the basis of Soviet reform. It has turned the Soviet president back towards the market and democracy and has been used as a flag to wave before foreign leaders as a positive sign that the Soviet Union has both the will and the capacity to effect a political and economic revolution.

But even if the treaty signing comes off, it would be a political victory without substantial content. As the day of signing approaches, the inner contradictions and compromises which were necessary to win agreement from diverse republics and from the Union are causing alarm and anger.

First, few know what is in it. The final draft, still being worked on in early morning sessions as President George Bush came to Moscow for the summit two weeks ago, has not been put before any republican parliament or the Supreme Soviet of the Union.

It has not even been published in the newspapers. Mr Yuri Afanasiev, the radical historian, and others wrote an open letter last week, arguing that Mr Yeltsin could not sign the document without further debate, since "no one is in a position to determine peoples' fate scores of years in advance without acquiring their clear consent".

Secondly, for those who have seen it, it is a jumble. The ambiguity which surrounds the central question of power has deepened with successive drafts. It is impossible to tell whether the union or the republican governments control enterprises, resources, and monetary and fiscal policies.

In reality this is less of a problem than it appears, since the carving up of power and property is happening quite separately – before the treaty is signed, Russia expects to take control of oil and gas reserves on its territory – but the fact that the substantive work is done elsewhere betrays yet again the treaty's flimsy character.

Those who still seek to run the union find this intolerable. Mr Victor Gerashchenko, chairman of Gosbank, the state bank, said in an interview last week that he had written to Mr Gorbachev and the leaders of the republics demanding the issue of who controls money supply and macroeconomic policy be made clear.

The man with whom he is presently jousting for power in the banking world, Mr Georgy Matiukhin, chairman of the Russian central bank, agreed yesterday that all the difficult issues were glossed over. "People in the west appear to rely greatly on this treaty – but it would be unwise to do so," he said.

Also included in the final – unseen – draft is a provision which appears to give the autonomous republics, of which there are 16 within Russia, equal powers in some regards to the union republics. Already Russian legislators who are aware of this have said it cannot be accepted, since it would dismember Russian statehood before it had been properly reborn.

Finally, the vexed question of taxes appears to have been settled in favour of the republics.

The efforts by the union government to insist on the right to tax independently has gone in favour of a single channel tax system in which the republics give a fixed percentage of their tax revenue to the centre. This seems likely to be 10 per cent, worked out two weeks ago between Mr Gorbachev, Mr Yeltsin and Mr Nursultan Nazarbayev, the influential president of Kazakhstan. But no one knows if this applies to the other republics, and the figure is not mentioned in the treaty's final draft.

Mr Matiukhin says: "I do not know why they [the union government] agreed to this: it is so easy to manipulate." In effect the treaty will not end the main process in Soviet political life – the rise of the republics and the collapse of the union. Those who are both signing it and urging others to do so – chief among them, Mr Yeltsin and Mr Nazarbayev – are at the same time taking as much power in their own hands as possible and instructing their subordinates to co-operate with the union only when it suits them.

Ukraine, the second-largest republic and among the richest, originally said it would sign but increasingly looks like not doing so, the more its (Communist) leadership senses it can run with the nationalist tide.

The treaty then, is a facade behind which power is still being won and lost.

It is not so much a beginning of a new era as a staging post in the transition between old and new.

# Moscow digs in over Comecon

By Leyla Boulton in Moscow

**MOSCOW has dug in its heels over the sum it is willing to pay its former east European allies to vacate the Moscow headquarters of Comecon by the time the old Communist trading organisation is disbanded next month.**

**The Soviet government has put a Rbs45m price tag (in non-convertible currency) on the 30-floor building, up from an initial Rbs31m. Moscow's former east European partners say the building is worth up to $400m at market prices.**

**The Soviet offer of compensation for the cost of putting up the building in the 1960s has been rejected by the eight other Comecon members. Some former members want to keep half the building as offices for their nationals to pursue trade interests in the Soviet Union.**

**Mr Alexander Rusanov, deputy Soviet representative in Comecon, said yesterday the Soviet government was determined to recover the building to house "Soviet state organs" – either the cabinet or the Soviet parliament. Moscow has on its side a 1989 agreement signed with former Communist governments which says Comecon assets can be disposed of only with the Soviet government's approval – albeit at a price agreed by Comecon members.**

**● A commodity exchange to cater for the needs of the Soviet Union's fledgling private farmers is to be set up in Moscow in September.**

# Waigel sticks to proposal for 15% VAT

GERMAN Finance minister Theo Waigel said he was sticking to his proposal to raise Germany's value-added tax (VAT) rate by one percentage point to 15 per cent, Reuter reports from Bonn.

Chancellor Helmut Kohl sparked new speculation about a two-point increase in the VAT on Sunday when he told a television interviewer he could not promise a rise in the 14 per cent VAT would be limited to one point.

In an interview with the Bild-Zeitung newspaper, Mr Waigel said he favoured a 15 per cent rate, the minimum rate recently set by the EC.

● Incoming orders for east and west German steel firms fell to 7.4m tonnes in the second quarter of 1991 from 8.5m in the first quarter, the steel industry association said in a statement, Reuter reports from Düsseldorf.

Domestic orders fell to 5m tonnes from 5.5m, while foreign orders fell to 2.4m tonnes from 3m.

# EC inquiry into sale by W.H. Smith

By Andrew Hill

THE European Commission's merger control task force has opened a one-month inquiry into the planned sale of W.H. Smith's television interests to a Franco-American consortium.

The UK retailing group announced last week it was selling two satellite television channels for £45m, triggering an automatic one-month inquiry under EC merger regulations.

If the Commission has doubts about the effect of the merger on competition in the EC following its initial examination, it can start an in-depth four-month investigation.

## Polish bank scandal spreads

AN ARREST warrant alleging bribery of a high-ranking state banking official has been issued for the head of a private corporation under investigation in Poland's spreading banking scandal, the prosecutor's office said yesterday, AP reports from Warsaw.

Mr Boguslaw Bagsik, president of the Art-B company who left Poland for Israel in July, is sought on corruption charges, the Polish news agency PAP said, quoting the prosecutor's office.

# MEPs seek to lay down law on legislative powers

## Europe's parliamentarians want to fill the Community's 'democratic deficit', writes David Buchan

LIKE Oliver Twist, the European Parliament always seems to be asking for more.

Last month it passed, by an overwhelming majority, a resolution which complained that, in political union negotiations, EC governments were not offering it enough power to fill the Community's "democratic deficit". It called on them to push on to "a union of the federal type".

The issue of giving more law-making power to a transnational body such as the European Parliament is one of the most contentious parts of talks on political union. Sovereignty-conscious governments (Britain and Denmark) and those with few representatives at Strasbourg ((Portugal and Ireland) argue that the parliament has yet to take root in European political life. They add it should content itself with exploiting the considerable amending powers it received under the 1987 Single European Act.

As the accompanying table shows, the parliament has put these amending powers to good effect, with MEPs playing a far greater role in shaping legislation than backbenchers in most national legislatures.

MEPs do not deny this; indeed they vaunt their successes of the past four years. But they still complain that, with the Soviet Union no longer run by a secret politburo, the Community is now the last institution in Europe to legislate behind closed doors. This is done through its senior law-making arm, the Council of Ministers, made up of the 12 governments.

**EUROPEAN PARLIAMENT'S TRACK RECORD MID-1987 TO APRIL 1990***

| | 1st Reading Amendments | 2nd Reading Amendments |
|---|---|---|
| | 1,367 | 357 |
| Of these: | | |
| Accepted by Commission | 865 (63%) | 196 (55%) |
| Accepted by Council | 625 (46%) | 94 (26%) |

*Covers 125 EC directives passed into law. Source: European Parliament

If the EC institutions were themselves a candidate for EC entry, they would be rejected as insufficiently democratic, says Mr David Martin, the Scottish socialist who is the parliament's *rapporteur* on political union.

Strasbourg's main demand has been for "co-decision", or an equal say, with the Council of Ministers in making all laws. At present the parliament's main power is to pass amendments, but these need Commission backing if they are to be imposed on the Council. It can vote to kill legislation, but can still be overruled by a unanimous Council.

Under co-decision, nothing would reach the EC statute unless a majority of the 518 MEPs had expressly said "yes".

The demand for co-decision across the board – supported whole-heartedly only by Germany, Belgium and Italy – proved too much for the rest. Luxembourg, which held the EC presidency earlier this year, proposed giving the parliament an equal say in five selected areas.

But these areas have been so selected, says Mr Richard Corbett, a European Parliament constitutional expert, that the parliament "might get only one co-decision a year". The areas are development aid, the framework programme for EC research (passed every four years), renewal of regional and social funds (every five years), environmental programmes (spread over several years), and "indicative plans" for trans-European infrastructure schemes that do not yet exist.

MEPs do not like Luxembourg's idea for breaking deadlocks on co-decision either. It provides for a conciliation committee – similar to those existing when there are differences between upper and lower houses in Bonn and Washington – by which parliament and Council negotiators try to strike a compromise which they then sell to their plenary bodies.

But this pleases neither extreme. Luxembourg proposed a time limit on conciliation attempts which would allow the Council, after a certain time, to go ahead and adopt its own law, unless barred by a majority of MEPs. Yet British Prime Minister John Major terms the plan "unworkable".

On the other side, the parliament does not want to be left with the power of rejection as its only option. It hates rejecting directives, as Mr Corbett explains.

Only once has it used its Single Act power to kill a bill; in 1989 it rejected as too soft a directive protecting workers from the effects of benzine, and therefore for a time ensured that such workers had no protection at all.

On non-legislative forms of power, the gap between what the parliament wants and what it looks like getting is much smaller.

The parliament would like to be able to select a Commission president from candidates proposed by governments. But MEPs would settle for the current treaty proposal that the whole parliament be "consulted" on the Commission president, who later with all his Commission colleagues would submit to a "vote of approval" by the parliament.

Helmut Kohl: devoted to boosting parliament's role

MEPs are not enthralled at the prospect of getting their powers of scrutiny and inquiry beefed up. This is an initiative by the UK government which wants to put the Commission as much in fear of the parliament's budgetary control committee as Whitehall is of the House of Commons' public accounts committee.

But auditing past spending is not a task that gladdens the average MEP's heart.

The main thing the parliament has going for it in the inter-governmental conference (IGC) on political union is that its supporters feel more strongly than its detractors do. Chancellor Helmut Kohl of Germany is holding monetary union hostage to a satisfactory result in the political union talks, especially over more powers for Strasbourg.

His devotion to boosting the parliament's role remains mysterious, though it may, as one official put it, have something to do with "the way the parliament softens the impact of one nation state against another, and thus prevents Germany having to stick its neck out so much in the Council".

Whatever Mr Kohl's motives, non-German MEPs are bracing themselves for a German request in the next year or so for the 18 observers from eastern Germany to be converted into extra permanent seats for the unified federal republic.

At present Germany fields 81 MEPs, like Britain, France and Italy, even though it now has a considerably bigger population. The figure of 18 observers was expressly chosen so that if and when these become MEPs, German representation would be just 99, short of the psychological barrier of 100.

Italy and Belgium have given the parliament some leverage on any treaty of the IGC, which needs ratification by the Twelve's national parliaments, but not the European parliament itself. These two countries' parliaments have said they will not ratify the political union treaty until the latter wins the European Parliament's stamp of approval.

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# Portugal mobile phone deal likely for Telecel

By Patrick Blum in Lisbon

THE Portuguese government appears set to choose Telecel, a US-backed consortium, for the licence to operate a new private mobile telephone network in Portugal, following controversial support for the consortium by a government commission set up to evaluate bids for the project.

Mr Joaquim Martins Ferreira do Amaral, minister for public works, transports and telecommunications, says he will make a final decision before the end of the month. However, the commission's report, which strongly favours the Telecel bid on technical grounds, is expected to weigh decisively on his choice.

The report's conclusions surprised the other six competing international consortia because of the much higher costs involved in the Telecel bid and because of what they believe is an unrealistic forecast of initial subscribers.

European companies are concerned also about the prospect of a non-European telephone operator gaining a further stake in and access to the recently-launched European Groupe Spécial Mobile (GSM) system on which the network will be based.

Telecel, in which Pacific Telesis (Pactel), the US regional telephone operator, has a 23 per cent state, is projecting investments of Esc102.5bn ($407m) over 15 years, more than four times as much as the

Ferreira do Amaral: final decision due soon

Esc24.8bn investment planned by GSM-Portugal, its closest rival, which includes Swedish Telecom with a 25 per cent stake.

Other bids foresee investments ranging from Esc22.5bn for a consortium including Hutchison Telecommunications (UK), a subsidiary of the Hong Kong-based Hutchison Whampoa group, and Mannesman of Germany; Esc19.7bn by a consortium including US West; Esc18.8bn by a consortium including Racal Telecom of the UK; Esc13.5bn by a consortium with British Telecom; and Esc13.4bn by a consortium including Cable & Wireless.

There are also considerable differences in subscriber forecasts for the first few years of operation. These range from a modest 1,700 subscribers in the first year and 150,000 in 15 years, to Telecel's 31,000 in the first year and 457,000 in 15 years.

After five years Telecel projects 173,000 subscribers, while all other bidders forecast less than half that number. Telecel's connection and monthly charges are also higher than those of most of its competitors.

"Telecel's bid may be technically better than the others, but its financial projections are not realistic for Portugal. If you take into account Portugal's low GDP per head, you have a more accurate indicator of the likely take up (by subscribers)," says another analyst.

European Commission officials are reported to be concerned about the long-term effects on the industry as Japanese and US companies continue to strengthen their presence on the European market. If Telecel wins it will give Pactel its second stake in Europe as a GSM operator, following its 8 per cent stake in a consortium with Mannesman in Germany. Bell South, also of the US, has a 29 per cent stake in Dansk MobilTelefon in Denmark.

The Commission, however, is powerless to prevent such inroads as long as individual operators are majority owned by national companies.

# Shipping lines call off planned freight rise

THE MAJORITY of a group of international shipping lines have called off a planned freight rate rise after informal talks with Asian shippers, an official from the Federation of Asean Shippers' Council (Fasc) said, Reuter reports from Singapore.

The Association of South-East Asian Nations (Asean) groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Other lines decided to defer the increase, said Sia Yong, the chairman of Fasc. Only eight of 18 lines would proceed with the rise. The 18 lines covering services from Singapore to Hong Kong, Taiwan, Japan and Korea planned a rate rise of $50 per 20ft equivalent unit and $100 per 40ft unit, from July 15.

Twenty lines also said they would apply a terminal handling charge (THC) from August 1 for containers originating from and headed for Singapore both to and from other Asian countries.

The increases drew fire from shipping companies – middlemen facing losses from the moves due to forward purchases and fixed costs – but the change of mind on the rate increases was also in part due to intervention by government departments, Sia said.

Most of the container lines which announced the THC are to go ahead with the rise, but a minority had withdrawn or reduced the size of the THC, he added.

After an emergency meeting yesterday, the Fasc said the THC surcharge in the region "signals the emergence of a new group of shipping lines collaborating to increase freight rates in the intra-Asean trades."

# Cocom eases rules on hi-tech exports

By Alison Maitland in Paris

THE recent decision by Norway to ease Cocom restrictions on sales of western hi-tech goods to five neutral countries is part of a co-ordinated Cocom strategy to cut through the red tape surrounding export procedures to these nations.

Britain and the US have already eased their rules on exports to Austria, Finland, Ireland, Sweden and Switzerland and the latest move by Norway is expected to be followed by other members of the 17-nation Cocom, the Co-ordinating Committee for Multilateral Export Controls.

The changes mean that exporters will no longer need to obtain an individual licence for each sale of Cocom-restricted goods, but will instead be able to apply for a general licence covering all such exports for a given period, for example of two years.

The relaxation follows a consensus among the Cocom partners about two months ago that Austria, Finland, Sweden and Switzerland now had sufficiently tough export controls to ensure that sensitive goods could not be re-exported to the Soviet Union, or other proscribed destinations.

Cocom, which comprises Japan, Australia and all the Nato countries except for Iceland, was set up in 1949 to prevent the export to the Soviet Union and its communist partners of western high-tech products that could have been turned to military use.

"Those (neutral) countries were on a list of countries being used as diversion points for circumventing the Cocom controls and some trade restrictions were put on them several years ago," said one official close to the Cocom discussions.

Ireland, although not considered a problem country in any sense, had been treated in the same category as the four other neutral states because it was the only member of the EC not belonging to Cocom.

However, any prolongation of this treatment by its EC partners in Cocom would have been in breach of EC trading rules, another official pointed out.

Other Cocom states will decide for themselves whether and when to simplify their rules on exports to the neutral countries, he added.

This could take time, as some countries require ministerial or even parliamentary approval for the changes.

Meanwhile, Britain and Australia plan to extend their general licence system to New Zealand, and the US is expected to follow suit.

A new, far more liberal, list of embargoed products, drawn up by Cocom in July, is due to take effect on September 1, although legal and administrative delays may hold up its publication in some countries, putting exporters there at a potential disadvantage.

However, Cocom's usefulness may be outlived before long.

"Frankly, if the Soviet Union continues to behave itself...Cocom will probably go away. It will declare victory and pack up its tent," said one official.

# China set to woo Gatt with report on economic reforms

CHINA is preparing a report on its economic reforms in an effort to convince world trade officials that it should be admitted to the General Agreement on Tariffs and Trade (Gatt), according to an official newspaper, agencies report from Beijing.

The China Daily quoted Li Zhongzhou, who supervises Gatt-related issues at the Ministry of Foreign Economic Relations and Trade, as saying that he expected "substantial progress" this year towards gaining membership in Gatt

Li repeated China's position that Taiwan should be allowed to enter Gatt only after China, and only as a customs territory of China. Taiwan submitted its application to join Gatt as a separate customs territory on January 1, 1990. China supported the admission of the British colony of Hong Kong, which returns to Chinese rule in 1997.

Gatt's working group, set up to review China's trade practices and which met inconclusively last September, is scheduled to convene again this autumn. Li said China's report on its recent reforms would be submitted then.

Taiwan has been encouraged by President George Bush's recent promise to work actively for Taiwan's entry into Gatt. The US leader also said he would encourage China to make economic reforms so it could become a member.

However, Li said that "international intervention is futile and is not conducive to the solution of the issue. It will only complicate the whole thing". He urged Taiwan to hold talks with the Beijing government on the Gatt issue.

China has lobbied hard to get back into Gatt, of which it was a founding member in 1947 and quit after the communist government took power in 1949. It applied for membership in 1986, but the Gatt working group said it did not conform with the necessary free market principles.

China announced this year that it had halted central government subsidies to export companies, but western economists note that hidden subsidies remain. China also drew charges of protectionism by clamping tight restrictions on imports in the past few years while aggressively promoting exports, resulting in large trade surpluses.

# Emirates buys 11th Airbus

THE Gulf carrier Emirates has signed a contract with Airbus Industrie for one A300-600SR, bringing to 700 the total number of firm orders placed for the family of wide body aircraft, Airbus said, Reuter reports from Paris.

The new aircraft brings to 11 the number of Airbus wide body aircraft ordered by the Dubai-based company.

## Jamaica phone deal for NKF Kabel

NKF Kabel of the Netherlands has been awarded a $25m (£14.74m) contract by the Jamaica Telephone Company to supply cables for local and trunk networks, writes Canute James in Kingston.

The cables will be produced in the Netherlands, Finland and Turkey, and will be delivered over the next three years.

# Finland and Soviet Union form joint venture for wood supply

By Enrique Tessieri in Helsinki

TEHDASPUU, a wood supply company jointly owned by Kymmene and Tampella Forest, two large Finnish forest groups, have formed a joint venture with two Soviet enterprises. Called Tepules, it will be owned 51 per cent by the Vyborg Forest Economic Unit, just over the border in the Soviet Union, and the Leningrad Forestry Industrial Enterprise.

Tehdaspuu said the aim was to secure greater supplies of wood as well as to exploit forest areas near the Finnish-Soviet border. Tepules plans to export to Finland the bulk of the 100,000 cubic metres it will produce this year and hopes to raise this quantity in 1991 to 300,000 cu m and 500,000 cu m in 1992-93. Payment will be in Ecus. Tehdaspuu, which has imported wood from the Soviet Union for 20 years, bought a total of 1.5m cu m of wood from the Soviet Union in 1990.

Tepules is the second joint venture of its kind formed between Finland and the Soviet Union. In 1989, Enso-Gutzeit, a state-owned Finnish forest company, and the Soviet company Karellesprom formed a joint venture to build a large pulp mill in eastern Finland which would be supplied with Soviet wood.

● The Finnish and German defence ministries signed an agreement yesterday under which Finland will buy FM200m (£28m) worth of military hardware formerly owned by the now-defunct East German army.

The purchase includes Soviet-made grenades, ammunition for artillery and assault rifles, light anti-aircraft weapons, mine-sweeping equipment and pontoons. A 43-year-old treaty of friendship, co-operation and mutual assistance with Moscow obliges Finland to equip part of its defence forces with Soviet military equipment.

# Exports 'born again' as US converts to new creed

## Nancy Dunne visits Chenango County, New York, whose local economy reflects a national revival

AMERICAN manufactured exports have been growing so fast that the US trade deficit could disappear by the middle of the decade. Export growth has been running at an average annual rate of 15 per cent for the past five years – twice the level of imports.

According to the National Association of Manufacturers, the comeback is due to manufacturing productivity improvements and an emphasis on quality, which began a decade ago.

This is no surprise to the staunch Republicans of Chenango County, New York, population 51,500. The county is in the heart of the Northeast, the region hardest hit by the US recession, but it is also a manifestation of a nationwide industrial rebirth.

**The upturn is put down to improvements in productivity and an emphasis on quality**

"The economy is in transition, not to services, but to smarter manufacturing," said Mr Daryl Forsythe, general manager of Simmons Precision Engines Systems, a division of BFGoodrich.

Mr Robert Hammons, the Chenango Chamber of Commerce director of economic development, tracks the continual flux in the local economy. Job losses are driven as much by technology and consolidation as imports, he says. When one business "goes out", the county generally manages to lure in others. Workers are retrained by private industry in programmes funded by the state and federal governments.

Norwich, the Chenango County seat, could have sprung from the head of Norman Rockwell. Surrounded by dairy farms and deep green hills, it is a town of well-preserved roomy old homes with neat lawns and gardens and American flags flying from front porches.

The schools are good – they produce "computer-literate" 11-year-olds – and the churches picturesque.

Chenango was settled by 700 ex-Revolutionary War soldiers. They were followed by generations of industrious immigrants who handed down what remains a strong local work ethic.

At the County Chamber of Commerce dinner in the local Howard Johnson motel, heads are bowed in prayer for "divine guidance in our efforts to make this small part of the world a better place to live, work and raise our children."

Chenango business people have become eager converts to a second creed: participatory management or total quality management (TQM).

"We ask people to bring their brains to the job to help us run this business," says Mr Joe Zummo, a spokesman for Simmonds Precision Engines System, a division of BFGoodrich, which manufactures aircraft fuel and engine management systems."

One Simmonds worker team is studying potential job consolidations to eliminate unnecessary steps on a production line.

Another planned a recent Zero Defect Quality Day. It turned out 650 employees to hear a US Air Force general praise Simmonds components as key to the success of American F-16s in the Gulf War.

Mr Zummo said Simmonds welcomes the inevitability of the global marketplace and talks of building upon the $3m a year sales relationship already established with Rolls-Royce.

In a small factory nearby is Norwich Aeroproducts, a company started seven years ago to manufacture aerospace temperature sensors and controls. It has already won contracts with Airbus.

The founder, Mr William Ballard, an engineer whose former employer moved out of New York, gathered up fellow workers left behind by the move, and raised $1m from the sale of stock in "door-to-door" forays. He is a big supplier to companies employing just-in-time methods. His computers have been matched with his customers' to ensure that he will ship his equipment precisely when it is needed.

"We are being asked to produce components for other companies who used to make their own, but realise we can do it better," Mr Ballard said.

Norwich Aeroproducts now has 55 employees and last year had sales of $3m. Profits have been reinvested and Mr Ballard is moving his operations to a larger building for an expected tripling of sales within the next five years.

A large business "incubator" building, built near the tiny Norwich Airport by the Chamber of Commerce, has as its first infant industry tenant Dr Tim Anderson, a drug researcher. He set up the pharmaceutical packaging operation after leaving the nearby Norwich Eaton Pharmaceutical Inc.

**Chenango business people have converted to total quality management**

"There are many good large packers around," he said, "but there is a need for small and medium-size runs or one-shot runs for product introduction and market research studies."

He has developed his own skin product for men, an odorless formula for the cold, dry upstate New York climate. It is packaged on a tiny production line by four middle-aged women, garbed in chemist smocks and hair nets.

It is a different story at the Norwich Shoe Factory. Inside, among the few remaining employees packing up was Mr Charlie Angelino, the Norwich Shoe Company plant manager and employee for 44 years. He is white haired and vigorous but in despair of ever working again.

"The Shoe" was another adherent of TQM, says Mr Bill Roberts, the company's vice president of finance. That, and the constant adaptation of the latest technology, processes and materials, kept the company going for 46 years against foreign competitors.

But, in the end, nothing could prevail against the avalanche of cheap shoes produced in China.

INTERNATIONAL NEWS

# Hong Kong scents a new democratic breeze

**September's elections will greatly alter the colony's political and economic life, says Angus Foster**

DEMOCRACY, a word rarely linked with colonies or China, is about to be introduced to Hong Kong.

Nominations closed yesterday for the first ever direct elections to the Legislative Council, which is in charge of passing laws and approves public funds for the government. Only 18 out of 60 seats are at stake in the September 15 elections but they will alter Hong Kong's whole style of government and could have important implications for business.

The unelected colonial administration also faces major challenges. It needs to retain its legitimacy, as Hong Kong people are wooed by grass roots politicians. If the elections are deemed a success, Hong Kong will ask China for more democratically elected seats in the next elections, in 1995. China, which views the moves towards democracy with extreme distrust, may not agree.

The issue of greater democracy for Hong Kong has gained greater weight since the 1984 signing of the Sino-British Joint Declaration on Hong Kong's return to China in 1997. Next month's elections, and proposals for the 1995 polls, were agreed between Britain and China last year.

The 18 direct seats will be elected from nine constituencies on a first past the post basis. Just over 50 per cent of eligible voters have registered for the elections, indicating strong interest, by Hong Kong standards. A further 21 councillors will be indirectly elected by business and professional groups like industry, financial services and accountancy. The remaining seats will be filled by three government officials, a vice president and 17 councillors appointed by the Governor, Sir David Wilson.

The Legislative Council in the past has been something of a rubber stamp; policy and power was in the hands of government and its close advisers on the Executive Council. Following the elections, the Legislative Council will have more influence and will become an important forum for debate and will act as a more powerful check on the executive.

Martin Lee, chairman of the United Democrats addressing a rally outside the Legislative Council. "If the government is right, we won't argue. If government is wrong, or if they ignore us, every vote they win will be a pyrrhic victory."

The government will retain a majority on nearly all issues. But for the first time it will face a potential opposition party, the United Democrats of Hong Kong.

The Democrats rose to prominence following the 1989 Tiananmen square killings in Peking. The party's leaders have regularly been attacked by China's leaders for being "subversive" and "unpatriotic". But the party commands wide grassroots support and is likely to win a majority of the directly elected seats and could control 15 seats altogether.

Mr Martin Lee, a charismatic lawyer and chairman of the Democrats, says the party will not be like a western opposition party because it can never win office. "If the government is right, we won't argue. If the government is wrong, or if they ignore us, every vote they win will be a pyrrhic victory," he says.

The government hopes the transition towards partial democracy will be smooth. Because Hong Kong is essentially a conservative community which values consensus, government policies will not change dramatically. "There will be some refinements of view but I do not believe that they will be fundamental," according to Sir David Ford, the chief secretary.

The government will be keen to listen to the views of the various groups within the council and try and steer a middle course between them. On matters such as economic management, where there is broad agreeement, this will be relatively easy. But on the most important question facing Hong Kong – its relationship with China – it could be very difficult.

Two potentially antagonistic groups are likely to develop within the council. Mr Lee and his party will speak out on the need for Hong Kong to retain a "high degree of autonomy" from China in the lead up to and after 1997. Meanwhile, an alliance of pro-China and pro-business interests will push for a closer relationship with China, even where it compromises Hong Kong's autonomy.

On the main issues it will be impossible for the government to please both camps. With China seeking more influence in Hong Kong it could be the Democrats, the elected representatives of Hong Kong people, who are ignored.

The government faces a further problem with its legitimacy as Hong Kong draws closer to Chinese sovereignty in 1997. In other colonies, British officials often relied on support from populist local parties and their leaders to retain authority.

Hong Kong does not have this option because the Democrats are detested by Peking. Hong Kong's probable post-1997 leaders are having to keep their distance from the British, for fear of upsetting China. "We will have to muddle along the way we are, and hope the leaders emerge from the bull-pit of (the council)," one senior official said.

In the new atmosphere of democracy and public accountability, the government also needs to become more open, lobby harder for its policies and compromise – difficult for an administration in danger of becoming a "lame duck" ahead of 1997.

The civil servants who manage Hong Kong's day to day daily affairs are also nervous because they will have to become more political and more visible. Other changes will be decided after the new council is in place. The existing committee system to examine bills will become more formalised so policy can be explored before bills enter the council. Full time politicians will emerge for the first time. As governing Hong Kong becomes more complicated and different interest groups are taken into account, decisions will take longer.

The direct elections will also have implications for business, which traditionally has been close to government and had representatives appointed to the council. But following the election of grass roots representatives, government policies may have to change or be compromised to reflect the influence of the Democrats.

The Democrats want to raise the threshold for income tax and meet the shortfall by raising company profits tax by 1 per cent to 17.5 per cent. They want more spending on services, including a new central provident fund, and for companies to pay more towards the environment.

These policies would not greatly change the attractiveness of Hong Kong as an investment centre. But they would be unpopular with businessmen used to preferential treatment from the government.

Mr Jimmy McGregor, a liberal businessman standing for the indirect elections, says the business community must also become more vocal. "The business sector has shown intellectual arrogance by not getting involved in the dirty world of politics. Business has gone through the back door too long, that won't work any longer."

# Israelis demolish Palestinian shop complex

By Victor Mallet in Jerusalem

IF PROOF were needed that the fight between Israelis and Palestinians is about economic and political control rather than just a series of clashes between soldiers and stone-throwing youths, the story of a new Palestinian shopping complex would fit the bill.

On July 25, when the project in Baqa Sharqiya in the Israeli occupied West Bank was all but completed, the Israeli security forces demolished it with bulldozers.

The event was witnessed by some foreign visitors who happened to be in the area, including Mr John Grieg, the Norwegian ambassador. They were dismayed.

Mr Hosni Younis, a Palestinian businessman, and a group of local investors started building the shopping centre a year and a half ago. A cold store was installed for the distribution of fruit and vegetables from the surrounding districts.

Those are just about the only facts that are accepted by both Israelis and Palestinians, although nobody denies that Israel has repeatedly proclaimed its desire to see economic development in the territories.

The rest is in dispute. Mr Younis said he had permission for the entire complex, and that the authorities recently gave him a 15-day deadline to produce the required maps and documents, although they had them in their possession already. Only five days had elapsed when the bulldozers came.

According to Mr Younis the complex would have provided 1,000 jobs. The capital cost was $2.5m, of which he provided $500,000; the other investors are now angrily demanding their money back. "Nobody told us," he said. "They waited for us to build it all and then they destroyed it."

He and his supporters believe that the Israelis were nervous about a Palestinian enterprise so close to the Green Line (the border with Israel proper) which might have undercut Israeli businesses. Israel's Civil Administration (the name given to the military authority in charge of the territories) says that Mr Younis did not ask permission for the complex and none was ever given; ever since May 1990, he was warned repeatedly to halt construction.

"This person built this building illegally," the Civil Administration said. "We gave him an order to stop, but he didn't stop, he continued. So unfortunately in the end we had to destroy it."

One eyewitness described the attitude of the soldiers who destroyed the shops as "shameful". They were, he said, jeering, smoking and spitting.

Western diplomats have made representations to the Israeli authorities, although they do not necessarily take Mr Younis at his word. He seems to have told them that he had permission for only half the complex and went ahead with the other half when there was no reply from the authorities to his application. It is notoriously difficult for Palestinians to get permission for new buildings in the territories. There is also some doubt about the cost of the project, which may be closer to $1m than $2.5m.

But diplomats - and officials of the United Nations Relief and Works Agency which looks after Palestinian refugees, some of whom invested in the project - are perturbed by the Israeli decision to tear down the shops instead of locking them up, fining the owners or taking some other action which did not involve the immediate destruction of the complex and its facilities.

One of those who witnessed the demolition said there was a sort of brutal logic to taking reprisals against people for security reasons, but it was outrageous for a government which talked about development to destroy such a complex. "It is," he said, "a pretty lousy thing to do."

NEWS IN BRIEF

# Japanese consider Adelaide high-tech

JAPAN said it would send representatives of 15 companies to Australia to examine investment opportunities in Australia's planned high technology city, Reuter reports from Canberra.

Mr Eiichi Nakao, minister of international trade and industry, (Miti) said the mission would study the Multi Function Polis to be sited near Adelaide in South Australia in December.

He discussed the project at a meeting with Mr Bob Hawke, the prime minister, yesterday at the start of a three-day visit to Australia.

Miti had suggested the creation of the MFP in 1987.

A Japanese embassy spokesman said the names of companies which will be on the mission had not been decided yet.

## Inspectors see Iraqi supergun

Iraq has shown its Supergun to the UN arms control team sent to destroy it, Reuter reports from Baghdad.

Its barrel is 52.2 metres long and 350 mm across.

Mr Wolfgang Buttler, head of a UN ballistics team monitoring Iraqi compliance with Gulf war ceasefire terms, said yesterday they saw the giant cannon in mountains north of Baghdad on Sunday and found it "assembled but not operational".

President Saddam Hussein's attempts to build giant artillery pieces, including one which might have been able to bombard Israel, antagonised the west last year and helped set the stage for the Gulf war.

## Madagascar death toll rises

Tens of thousands of demonstrators massed in Madagascar's capital Antananarivo yesterday and a general strike brought the city to a standstill after violent clashes at the weekend, agencies report from Antananarivo.

A Red Cross official said the weekend death toll had risen to at least 51, with another 50 people missing.

In the capital 31 were said to have died and 20 more in the northern city of Mahajanga from the attacks by government troops on Saturday.

The government has acknowledged that 11 died.

The opposition Active Forces coalition, which has staged strikes and protests for more than two months to persuade President Didier Ratsiraka to step down, told supporters to turn Antananarivo into a "dead city".

Almost all banks, businesses and shops were closed. Workers at the state airline Air Madagascar, the railway and the public bus company were also on strike.

## Chinese visit Taiwan

Two mainland Chinese journalists arrived in Taiwan yesterday in the first such visit since 1949. But Taiwanese authorities barred two Chinese Red Cross officials from the trip in a last-minute dispute, AP reports from Taipei.

The Chinese journalists are to cover the trial of seven Chinese fishermen accused of piracy, who could face the death penalty.

● Taiwan's economy, buoyed by an export boom and lower oil prices since the end of the Gulf crisis, will expand 6.95 per cent this year, the government's Bureau of Statistics said, Reuter reports from Taipei

The estimate for gross national product growth was higher than the 6.22 per cent the bureau forecast at the start of this year.

Growth last year, when the economy was hit by the Gulf crisis and a stock market crash, was at an eight-year low of 5.02 per cent, the bureau said.

## Bangladesh plans referendum

Bangladesh is to hold a referendum on a decision by parliament to transfer executive authority to the prime minister on September 15, a senior election official said Monday, AP reports from Dhaka.

Justice Mohammad Abdur Rouf, the chief election commissioner, said in a televised speech that a bill passed unanimously last week would become effective if voters endorse it in the referendum.

More than 60m voters will be asked whether the president should give his assent to the bill.

All political parties are agreed on the new form of government. If the result of the referendum is positive, MPs will elect a new president who will be the ceremonial head of state.

Kaifu and Li Peng agree United Nations should be at centre of new world order

# China lukewarm over UN scheme on weapons transfers

By Yvonne Preston in Beijing

CHINA has given a lukewarm reception to Japan's proposal for a UN-run scheme reporting international weapons transfers, put to the Group of Seven meeting in London last month.

At the end of a four-day visit to Beijing, Mr Toshiki Kaifu, Japan's prime minister, said China had expressed doubts about the practicability of the scheme, aimed at preventing the rise of big new regional military powers following the Gulf war.

Mr Kaifu had talks with Premier Li Peng, his Chinese opposite number, and yesterday met Jiang Zemin, the Communist Party leader, for 30 minutes of discussions.

Japan is seeking support for a UN resolution on the weapons transfer monitoring scheme to be put to next month's General Assembly meeting. Describing China's co-operation as indispensable, Mr Kaifu said Japan would look into the obstacles perceived by China.

The first prime minister from a major industrialised country to visit China since the Tiananmen democracy movement was crushed in 1989, Mr Kaifu has been at pains to say China should not be isolated.

He said yesterday that his talks with China's leaders had been candid, covering regional conflicts, arms control and disarmament, democracy and human rights and the new world order.

Emphasising the importance of Sino-Japanese relations to the peace of Asia and the Pacific, Mr Kaifu said the time had come for the two countries to contemplate their relationship in the broader global context. Li Peng agreed with him that the UN should be at the centre of a new world order.

Despite Mr Kaifu's assured air, Beijing and Tokyo have little in common in their perceptions of the new world order. To Beijing it is a matter of ensuring that one nation – the US – does not dominate the world, and upholding the principle of non-interference in the internal affairs of other countries.

Tokyo's new world order is based on freedom, democracy and free market economies.

Mr Kaifu reported "very strongly" to the Chinese premier the great concern of all G7 leaders over China's human rights record. He told Li Peng "very frankly" that the way China intended to address democratisation and human rights should be "clear and understandable" to the world community. "China says it has its own way but that must be understood if China's status is to improve."

Mr Kaifu welcomed China's readiness to engage in discussion on the issue of human rights with the world community, in turn expressing contrition for Japan's past, particularly brutal in China, and still a bitter memory.

Mr Kaifu denied his action in laying a wreath at the Monument to Revolutionary Martyrs in Tiananmen Square on Sunday could be misconstrued to show Japan's support for China's suppression of the pro-democracy movement on June 4, 1989.

He had honoured those who dedicated their lives to building the People's Republic of China, and had acted in accordance with diplomatic protocol.

A German relief worker photographed the Kurdish village of Kherazotz in northern Iraq after Turkish air force aircraft had dropped three fragmentation bombs last week killing 12 people, six of them women. A German eye-witness said there was no sign of activity by the PKK guerrillas seeking autonomy for south-east Turkey. In Ankara, yesterday a foreign ministry official said Turkey rejected a German accusation that it had violated international law by attacking separatist Kurdish rebel camps in northern Iraq. Mr Murat Sungar, the foreign ministry spokesman, said the German ambassador to Ankara was called to the ministry on Saturday and "the reasons for this operation were once again explained". Mr Hans-Dietrich Genscher, the German foreign minister, said on Friday that Turkey was violating international law and the 1975 Helsinki accord by "continuing military deployments...against the civilian population in the (Iraqi) Kurdish region".

## UN USES AMERICAN U-2 SPY PLANE TO MONITOR IRAQI SITES

THE United Nations is using a US military U-2 spy plane to conduct high-altitude missions over Iraq to identify sites where sophisticated weapons installations may be concealed, reports Michael Littlejohns, UN Correspondent, in New York.

The special UN commission charged with finding and eliminating Iraqi facilities for producing and storing weapons of mass destruction asked that the aircraft be placed at its disposal, the UN said yesterday.

The commission said Iraq's UN delegation was being kept informed in advance in writing of details of the U-2 spy plane's operations in an effort to safeguard against possible Iraqi efforts to shoot down the aircraft.

Surveillance photographs taken during the high-altitude flights would be evaluated by the UN special commission in its continuing efforts to fulfil its duties under the Security Council's ceasefire mandate.

The council is expected to resume consultations today on three resolutions, including one that provides for the temporary suspension of sanctions to permit the sale of $1.6bn of Iraqi oil to pay for food and medicines and provide an initial contribution towards Iraqi war reparations.

The funds will go into a United Nations escrow account and the UN will strictly control the distribution of all humanitarian supplies to Iraqi civilians.

# NZ fight against inflation 'enables monetary easing'

By Terry Hall in Wellington

DR Don Brash, governor of the Reserve Bank of New Zealand, yesterday said that after a six-year battle against inflation current conditions and the outlook permitted "a very substantial easing in monetary conditions".

In his six-monthly policy statement, Dr Brash said this had been brought about by a 25-year low in inflation, growing confidence of a fall in inflation and "welcome" support from the budget on the fiscal front. This had permitted a more relaxed posture from the bank, which is charged by an Act of parliament to bring down inflation.

Dr Brash noted a drop of more than 5 percentage points had occurred in short-term rates over the past year, and a drop of around 5 per cent in the exchange rate. Since the budget two weeks ago, a positive yield curve had been introduced.

His statement had been anxiously waited by financial markets hoping it would signal the Reserve Bank was prepared to allow interest rates to fall further, following demands from Mr Jim Bolger, the prime minister, that trading (clearing) banks should lower mortgage rates.

However, Dr Brash said he would not intervene to ease monetary conditions further to permit another drop in retail rates. He said trading bank profitability was not high. The posture the bank was adopting would mainly affect wholesale rates, but this should flow through to retail rates.

Dr Brash's statement was treated negatively by the money markets, with minor rises on most wholesale rates. Interest rates in New Zealand were not high, he continued. Compared with 14 countries in the Organisation for Economic Co-operation and Development, five had higher short-term rates than New Zealand and those in nine were lower; in long-term rates, four had higher ones than New Zealand and 10 had lower but, of these, seven had rates within 1 percentage point of New Zealand.

New Zealand was "comfortably" on track for an underlying inflation rate in 1993 of 0-2 per cent. "For the first time in 30 years, confidence is growing that low inflation is a realistic goal, one likely to be achieved. Success on the inflation front is the best and only sustainable way for interest rates to continue to fall."

Future monetary settings would be based primarily on the outlook for inflation, which would drive any adjustments, Dr Brash added. He had no particular target for the exchange rate.

He noted that the measured inflation rate was 2.8 per cent, at the lower end of the bank's expected 2.5-4.5 per cent rate for this year. But this would be affected by budget increases which would add about 1.5 percentage points, according to the bank's own estimates.

Next year, the bank expected measured inflation to be 1.5-3.5 per cent, although it preferred to use the estimates of underlying inflation on which to base its handling of economic policy.

# Political battle brews in British Columbia

## Left-leaning NDP could end almost 30 years of Social Credit rule, says **Bernard Simon**

Bill Vander Zalm: alienated important interest groups

DURING the summer, politics is usually the last thing on people's minds in British Columbia. But this year is different.

Political organisers in the province are cranking up their campaign machines for what promises to be one of Canada's most hard-fought elections in recent memory.

The forthcoming poll, which must be held before the end of the year, will give the New Democratic Party, the most left-wing of Canada's three main political groups, its best chance in many years of unseating the Social Credit administration which has held power in the province for all but three of the last 30 years.

Victory in British Columbia would give the NDP the reins of government in two of Canada's key provinces, and add a new element of unpredictability to national politics.

The NDP won a surprise victory in the industrial heartland of Ontario last September, but holds only 44 of the 295 seats in the federal House of Commons in Ottawa.

The NDP's most powerful weapon in the province is the recent performance of the Socreds, who have long been the most right-wing of the 10 provincial governments. (Social Credit is the only party which governs a province but has no counterpart at the federal level.)

Under their former eccentric leader Mr Bill Vander Zalm, the Socreds zigzagged from one policy to another, alienating just about every interest group of any importance.

Cabinet ministers and senior civil servants came and went through a revolving door. The party itself was riven with discord.

The Dutch-born Mr Vander Zalm, whose trademark was the frequently-used exclamation "Fantastic!", finally resigned four months ago after a conflict-of-interest scandal involving a wealthy Taiwanese investor.

His successor, Mrs Rita Johnston, is less flamboyant and more predictable. Her strategy in the forthcoming campaign is likely to centre on two themes.

One is the Socreds' record on managing the economy. The provincial budget has been kept roughly in balance, and British Columbia has attracted much foreign investment, mainly from Hong Kong, Japan and Taiwan.

Mrs Johnston will also try to tar the NDP with the same brush as their colleagues in Ontario, whose fortunes have plummeted since they announced a tripling in the provincial budget deficit last April, and promised social and economic reforms well to the left of the middle-of-the-road policies preferred by most Canadians.

Sensitive to this weak spot, British Columbia's NDP is cultivating an image of moderation and pragmatism.

Its leader, Mr Mike Harcourt, is a mild-mannered lawyer who is working hard to reassure the business community. He points out that he balanced Vancouver's budget during each of his six years as mayor, and succeeded in getting the city a Triple A credit rating.

While the NDP has pledged to move some of the tax burden from individuals to companies, a party official says "we're going to take a very cautious approach to government spending." On the environment, a hot topic in a province whose economy rests heavily on the forestry industry, the official NDP line is that "we have to draw everyone together and come up with a consensus around sustainable development."

The party is in the tricky position of drawing support from environmentalists and trade unions, groups which have sharply opposing views on ecological policy. Members of the powerful International Woodworkers Union are as resolute as corporate executives in fighting demands for stricter rules on logging and pulp mill emissions.

Business is still nervous of the NDP, however. Mr Peter Bentley, chairman of the British Columbia Business Council and chief executive of a large forestry group, says: "Nobody is running around saying they're scared stiff. But on balance, we'd prefer to go with the free enterprise side and hope they do better than they have up to now."

Mr Bentley says companies are especially worried about the prospect of higher taxes under an NDP government and of new labour laws, which would tilt the bargaining rules towards trade unions. The NDP has promised to review the Labour Code with precisely this objective in mind.

Another concern is that Mr Harcourt, likeable and trustworthy as he is, may not be strong-willed enough to hold back more ideological elements in his party. This is a common explanation for the swing of his counterpart in Ontario, Mr Bob Rae, who also came to office pledging a co-operative partnership between business, labour and government.

Mr Michael McKenzie, executive vice-president at Angus Reid, a leading polling firm, estimates that the NDP in the province enjoys a lead of about 10 percentage points in public opinion. But he notes that, with the exception of those in Vancouver, most British Columbians are fairly conservative by nature. Furthermore, Mrs Johnston is running neck-and-neck against Mr Harcourt in personal popularity.

"It's an uphill battle for the Socreds," Mr McKenzie says, "but by no means is this election a foregone conclusion."

# Peru corruption claims extend to former ministers

**By Sally Bowen** in Lima

ALLEGATIONS of corruption centred on former Peruvian president Alan Garcia broadened at the weekend to include other members of the 1985-90 American Popular Revolutionary Alliance Party (Apra) administration.

Mr Fernando Olivera, head of the parliamentary commission which has been investigating Mr Garcia for a year, alleged on Sunday night that three Apra ex-ministers and eight top civil servants held substantial dollar bank accounts in the US at a time when it was illegal for Peruvians to do so.

The claim coincides with allegations in Oiga, a Lima weekly, that Mr Remigio Morales Bermudez, the former minister of agriculture, deposited almost \$20m (£11.6m) in a Miami bank account in February 1990, five months before Apra lost power to President Alberto Fujimori's Cambio 90 movement.

Mr Morales Bermudez yesterday denied the charges and said he would soon present a detailed rebuttal.

The Chamber of Deputies is preparing for a debate on Thursday on accusations of "illicit self-enrichment" by Mr Garcia during his term of office.

Mr Garcia continues firmly to deny any illegal activity, calling the accusations an attempt "planned by delinquents" to pre-empt a potential Apra comeback in the 1995 elections. "They lie and lie hoping that something will stick and that I will never return," he told foreign correspondents last week.

The Apra party so far shows every sign of closing ranks behind Mr Garcia. Hundreds of euphoric militants gave him a standing ovation in the party headquarters last Friday night.

Meanwhile, two former central bank officials who are alleged by a New York grand jury to have accepted \$3m in bribes in return for depositing \$270m of Peru's reserves in the Bank of Credit and Commerce International in 1986 and 1987 are no longer expected to testify before a Senate investigating commission this week.

Mr Daniel Figueroa, now working in Chile, has said he cannot travel at such short notice, and Mr Hector Neyra is lying low, reportedly fearing for his life if he gives detailed evidence. Both men deny the charges.

# Ex-president to lodge appeal

**By Canute James** in Kingston

LAWYERS for Mr Salvador Jorge Blanco, a former president of the Dominican Republic, say they will appeal against a 20-year jail sentence for corruption which he received last week.

They said they would also appeal against fines of \$14m (£8.1m) imposed by the court on Mr Jorge Blanco, 62, who headed a social democrat administration between 1982 and 1986.

In a trial which was prolonged because of Mr Jorge Blanco's ill health, the former president was charged with permitting millions of dollars of government funds to be spent on supplies purchased at inflated prices from companies headed by his associates.

Mr Jorge Blanco has started his sentence at a time when the Caribbean republic's conservative government of President Joaquin Balaguer is facing widespread labour unrest.

About 7,000 doctors ended a 12-week strike last week, while 32,000 teachers who have been on strike for 14 weeks say they will return to the classroom at the end of this month. The doctors have had their salaries increased by 50 per cent, while the teachers have been given a 20 per cent increase.

# Surprise poll victory boosts Peronists

**By Cristina Bounasegna** in Buenos Aires

ARGENTINA'S ruling Peronist party got off to a good start in mid-term elections on Sunday, winning a surprise victory in one of three provinces at stake in the first round and retaining another.

According to provisional results, the Peronists took control of the province of San Juan, with 33 per cent of the vote, edging out the Bloquista party, a provincial grouping that had been in power for 10 years.

Elections were also held in the provinces of San Luis, which the Peronists retained, and Río Negro, where the opposition Radical party kept control.

Mr Menem said that the victory in San Juan, where his party had not won in 18 years, would boost its chances in other provinces, where elections are set for September 8 and October 27. The elections are for half the 254-seat house of representatives, provincial governors and local legislators.

The next rounds of polling will be a key test for Mr Menem.

At stake will be the strategic province of Buenos Aires and other important districts such as the Federal Capital and province of Córdoba, which has traditionally been in the hands of the opposition.

Mr Domingo Cavallo, the economy minister, said Peronism's victories at the weekend proved "that one can win elections while carrying out a serious economic programme".

Mr Jorge Escovar, now governor-elect of San Juan, is known in his province as a local version of Peru's President Alberto Fujimori, since he only joined his party two years ago.

Menem, left, and Cavallo: cheered by their party's strong showing in mid-term elections

His ideas have more in common with free market philosophy than with traditional Peronist values.

He won by promising he would follow the same stringent economic policies that Mr Menem is implementing at national level.

Mr Menem said yesterday he wanted to run for re-election in 1995, despite a constitutional ban on the president serving two consecutive terms.

"It all depends on a series of reforms, especially of the national constitution," Mr Menem said.

# Collor 'will not replace minister'

BRAZIL'S President Fernando Collor has rejected as "incredibly absurd" reports that he was replacing Mr Marcilio Marques Moreira as economy minister, Reuter reports from Brasília.

Mr Collor's statements were reported on Sunday night by the state news agency after local newspapers speculated that Mr Marques Moreira, former ambassador to Washington, would step down.

"These newspaper reports are totally extravagant and incredibly absurd," Mr Collor was reported as saying.

Mr Marques Moreira, 59, took over the portfolio on May 5 after economy minister Ms Zelia Cardoso de Mello and her economic team resigned. Ms Cardoso's team implemented a shock programme in March last year, freezing most of the money in company and private bank accounts.

# A troubled mañana may face the new Puerto Rico

## Spanish is now the official language, but not to wide acclaim, explains **Canute James** in Kingston

WHEN Puerto Ricans approved a bill in March, making Spanish the island's official language, they were confronted by the clamours from many of its citizens who pleaded for exemptions, on the basis that they must conduct business mainly with the English-speaking world.

Previously, Spanish and English held joint official language status. But the move to making Spanish the only official language has had significant political consequences.

The passage of the bill followed the failure of legislators in Washington to agree on the date and nature of a referendum on the political future of the US Caribbean possession. The referendum was thought possible later this year, but 1993 now appears a more likely date.

The island of 3.3m people is officially described as a "free associated state" of the US. Puerto Ricans are US citizens, but cannot vote for a president. The island's representation in Washington is limited to a commissioner who has no vote to influence legislation.

Critics of the Puerto Rican administration claim that the language issue is being used by the government to influence Washington against allowing Puerto Ricans to decide whether they want to continue with their current quasi-colonial "commonwealth" status, become a state of the union, or move to full political independence.

The issue is being debated on party political lines. The ruling Partido Popular Democratico (PPD), which supports a continuation and enhancement of the commonwealth status, has gained from the legislation. Legislators in Washington, in general disapproving of the possibility of a new US state in which Spanish is the only official language, will now be less enthusiastic about approving the referendum.

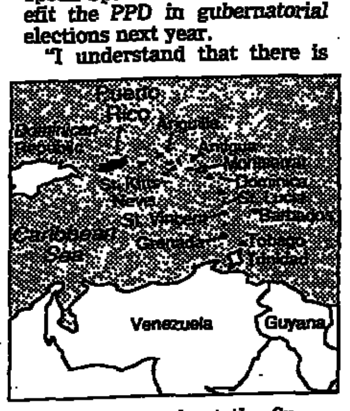
The opposition Partido Nuevo Progresista (PNP), which advocates becoming a US state, is understandably unhappy with the language legislation, particularly as party officials claim that some public opinion polls suggested that Puerto Ricans who wanted the island to become a US state would have carried the day in a referendum.

There is little apparent support for full independence, with the Partido Independentista Puertorriqueño (PIP), backing such a move, relegated to a distant third place in recent elections. Puerto Ricans are concerned at the social and political problems which have overtaken some of their politically independent Caribbean neighbours.

The PIP has said that political independence is not an immediate issue but rather an ultimate objective.

But making Spanish the only official language has pleased Puerto Ricans, most of whom speak Spanish. This could benefit the PPD in gubernatorial elections next year.

"I understand that there is




some concern about the Spanish-only bill," Mr Rafael Hernandez Colon, the island's governor, said soon after the legislation was enacted. "I want to tell you not to worry. We are still going to use the American dollar," he added.

"The party governing Puerto Rico and supportive of continuing the current commonwealth status, strong-armed the Spanish language through our legislature as a way of further side-tracking legislation in Congress for the plebiscite," complained Mr Luis Ferre, former governor of Puerto Rico.

"An unfortunate side effect was the fanning of the fire of cultural separation. It is my fervent hope that Congress can still see beyond the petty politics and manoeuvring of those on the island who oppose statehood so strongly that they would work behind the scenes to deny Puerto Rico the chance to decide its own political future," added Mr Ferre.

The island's administration is clearly not encouraging any moves towards a public decision on status.

"For the time being statehood is dead and rightly so. As a state, Puerto Rico would start economically at the bottom and go even deeper," said Mr Colorado, the island's secretary of state.

It is this concern about the island's economic future which underlines the local debate on its political status. Puerto Rico greatly benefits from transfers of federal funds. Its economy rests on section 936 of the US Revenue Code, which gives tax breaks to mainland companies investing in the island.

Federal transfers reached \$7.7bn last year, the highest ever received by the island, with a 50-50 split between welfare programmes and other government expenditure.

On a per capita basis, however, this was less than was received by the poorer states of the union.

Legislators in Washington and even supporters of statehood in Puerto Rico agree that changes – which would have to be made if the island became a state – could see a reduction in the flow of federal funds.

The tax incentives for investors under Section 936 would also be changed, leaving the companies with annual tax liabilities of about \$2bn. Section 936 is regarded as the catalyst for the island's rapid expansion and the prime cause of its improved economy over the past 40 years. Without it, Puerto Rico could suffer some very painful changes. But the highly charged political move towards the creation of a more Spanish culture means that Puerto Rico has stepped into an uncomfortable spotlight from which it will not easily return.

ECONOMY

# Sales trigger hopes of recovery

By Peter Marsh, Economics Staff

HOPES that the UK recession may be petering out rose yesterday, after government figures showed retailers received an unexpected sales boost in June.

Seasonally adjusted sales volumes for retail goods rose during June by 1.5 per cent, according to figures supplied by the Central Statistical Office (CSO).

The figure replaced the provisional estimate for the month of 1.3 per cent, and came after a fall in volumes in both April and May.

The Treasury said the figures showed that the recession in the retail sector had probably come to an end. They fitted in with the government forecast that an overall economic upturn was likely later this year.

The Retail Consortium, a trade group for the industry, said the worst of the recession "may be over". Informal soundings had indicated July sales figures had also been relatively robust.

Mr Norman Lamont, the UK chancellor of the exchequer, hopes that increased consumer spending on retail goods will lift the UK from its year-long recession.

However, doubts about the strength of any increased buoyancy in the consumer sector were underlined by separate CSO figures, which showed that consumer credit in June remained at the weak levels recorded earlier in the year.

The new loans advanced to consumers in the so-called narrow measure of consumer credit increased by just £22m in June, after a net repayment of £36m in May.

The higher than expected retail figures for June were helped by a 4.4 per cent increase in the month in sales volumes of clothes and footwear. This rise is thought mainly to have been due to increased sales of cut-price goods by shops forced by the recession to start their summer clearances early, and are unlikely to show up in increased retailers' margins.

Another factor that led to the large increase in June was a 2 per cent increase in sales volumes for food, which has been little affected by the downturn. Sales of household goods and other non-food items were flat.

Excluding a freak month in March, when consumers rushed to the shops to beat increases in value-added tax announced in the budget, the level of retail sales volumes in June was the highest since September last year.

But on a quarterly basis, which gives a better view of underlying trends, volumes in the three months to June were 0.8 per cent down on the previous quarter, indicating that Britain's shopkeepers are still some way from seeing an upturn.

The Treasury's record, Page 13

# BT investors benefit from wider offer

By Roland Rudd

BRITISH investors will be able to apply for shares in the planned November BT flotation both in the retail and institutional offers, it was announced yesterday.

Mr Francis Maude, financial secretary to the Treasury, said stockbrokers would be able to apply for BT shares on behalf of their clients in the institutional offer – a departure from past privatisations.

Mr Maude also gave further details of the government's initiative to boost wider share ownership through high street share shops on the back of its expected sale of half its remaining stake in BT, which is likely to bring in more than £5bn.

The plan to allow investors to apply for shares in both the retail and institutional offers originated from SG Warburg, the UK merchant bank advising the government in its role as co-ordinator on the BT sale.

Under the present rules the maximum number of shares any individual can apply for in a retail offer – which are normally heavily oversubscribed – is around 2,500.

# Tories promote 'share shops' as central theme of the 1990s

By Ivo Dawnay, Political Correspondent

"SHARE shops" are just the first step in a new Tory drive to promote a "capital-owning democracy" as a central theme for the 1990s and the natural successor to the last decade's drive to expand home ownership, the government said yesterday.

Downing Street stressed that the measure represented an important component in Mr John Major's personal vision of a society where individuals and families achieved autonomy over their lives by freeing themselves from dependency on state provision.

Relating the share-shops to the drive under the Citizens' Charter for "user-friendly" public services, a government official said the aim was to remove the mystique from the buying and selling of shares.

"The prime minister would like to see individuals establishing for themselves some kind of financial security that is not just based on property," he said.

By contrast, the opposition Labour party chose to seize on the announcement to attack the government for its planned sale of its remaining holding in BT. Claiming the share sale was "at the wrong time and for the wrong reason", Mr Doug Henderson, a Labour trade and industry spokesman, said the sell-off was aimed at raising funds to cover the government's "economic mismanagement" before a general election.

MacGregor: influential

Mr John MacGregor, the leader of the House of Commons and now an increasingly influential voice in the prime minister's inner cabinet, used a businessmen's lunch in central England yesterday to argue that the concept of property ownership now had "its greatest potential" for expansion beyond the home.

With two-thirds of all dwellings now owner occupied, the sales of 1.5m council and new town houses and the growth of occupational pensions "people are gaining control of their ownfinancial futures," he said.

Moreover, the inheritance of property by those already owning their homes meant that many were coming in to significant capital sums for the first time, making the proceeds available for investment.

Performance related earnings and bonuses, yielding annual lump sums were also creating a greater market for investors and a "major marketing opportunity for investment institutions," Mr MacGregor added.

Labour insists, however, that the share shop idea is merely a smokescreen to cover the government's failure to act in the consumer's interests.

# Nuclear research costs prompt row

By Juliet Sychrava

THE government and the nuclear industry are on a collision course over the cost of nuclear research, according to a report published yesterday.

The nuclear industry and not the government should fund research into new reactor technology, including the UK's contribution towards the European Fast Reactor programme, concluded a Department of Energy report on nuclear research and development.

Nuclear Electric, Scottish Nuclear, and British Nuclear Fuels should fund research into thermal reactors, and Nuclear Electric should fund research into reactors similar to the Sizewell B pressurised water reactor it is currently building, the report said.

The Department of Energy will not fund the operation of the UK's prototype fast reactor at Dounreay in Scotland beyond March 1994, the report confirmed.

"The chief responsibility for funding R&D in support of nuclear power should rest with the nuclear industry," a summary by Mr John Wakeham, the energy secretary, concluded.

But a report by a nuclear industry working group made available to the department in May as an input to the department's report, argued strongly for more government investment in fast reactor research.

"It is not the nuclear industry's responsibility to underwrite the future security of the UK's electricity supply," said the report, published by Nuclear Electric on behalf of the industry.

"The industry is convinced...that Fast Reactor is and will remain the most significant strategic electrical energy source available to the UK," it continued. It was not appropriate to depend on equipment suppliers or the utilities themselves to fund its development.

The department, which confirmed it will cut spending on research into nuclear energy by nearly a third by 1995, was criticised by the Commons Energy Committee last week for excessive spending on reactor research.

But the nuclear industry group pointed out, the bulk of department spending on research is accounted for by the operating costs of Dounreay - around £48m of a total £60m spend planned for the year to March 1992 - and research into nuclear fusion.

"There is actually very little other than the R&D programme in support of European Fast Reactor that the industry would identify as truly supportive of civil nuclear power and its development into the medium and longer term."

The group contradicted the findings of the Energy Committee which said the government spent far more on nuclear power than on renewable energy.

"Government R&D support specifically for Civil Nuclear Power is now rather less than its support for renewables," the group said.

The Department of Energy report will now be sent to interested parties, and a strategy for nuclear R&D drawn up by the end of the year.

● National Power, the electricity generator, will cut its research and technology department to nearly a quarter of its present size, the company announced yesterday.

It plans to close its research department in Surrey and replace it with a division on its Swindon site. This forms part of the company's restructuring programme, announced in May, in which it plans to axe 2,000 jobs by the end of 1992.

# Motorway starts to take its toll

## After 200 years Britain is to finance a new road privately but construction groups remain wary of the risks, writes Andrew Taylor

ACCORDING to the Department of Transport, Britain stopped building privately funded turnpike roads at the end of the 18th century. Now, after a gap of 200 years it has chosen Trafalgar House, the British construction, property, shipping and hotels group and Italstat, Italy and Europe's biggest toll road operator, to build the country's first privately financed motorway in the Midlands.

The 30 mile, three lane, dual carriage motorway to the north of Birmingham, represents an important breakthrough for Conservative transport ministers who, after more than a decade of trying, have still to cut the ribbon on the first mile of a major privately financed road.

In the pipeline are a number of other roads which ministers have identified as candidates for private finance.

In addition several river and estuarial crossings have been proposed to be built by private finance, including new crossings for the River Thames, Mersey and Tamar.

However, a number of obstacles remain to be cleared if private sector schemes are to play a bigger role in road provision. First of all sponsors need to be convinced that sufficient traffic will use the new roads.

British companies are likely to think carefully before competing with a comprehensive publicly financed road network which costs nothing to use. Plans for congestion-free fast lanes for paying customers could backfire if existing public motorways became less congested as a result.


The cost of maintaining toll detection and collection facilities along a long stretch of road with large numbers of access and exit points may deter investors.

This has not prevented European toll road operators from bidding for private schemes in the UK.

The two consortia which bid against Trafalgar House and Italstat, each contained a large French toll road company. Italstat hopes to use its experience at Birmingham to break into other northern European markets. It is among 12 companies bidding to build a new ring road around Paris.

British companies which by comparison have little experience of toll roads are more circumspect about prospects for privately funded schemes in the UK. Construction companies which previously have bid to finance, build and operate roads have complained about the difficulty and cost of getting plans approved.

**Labour-controlled public authorities in the West Midlands have been waging an unsuccessful rearguard action against toll roads, writes Paul Cheeseright. They are not opposed to new roads, but to the principle of the toll. Mr Phil Bateman, chairman of the Passenger Transport Authority, yesterday argued that decisions on new roads and methods of paying for them should be part of a balanced package, involving railways, the proposed metro scheme for the Birmingham-Black Country conurbation and buses.**

THE government recently passed legislation which ended the requirement for a separate bill to be passed by Parliament every time a privately financed bridge, tunnel or road was considered.

Even so, Trafalgar House and Italstat will have to provide an environmental impact study and may have to face a public inquiry, if they are unable to persuade local people to accept their proposals.

Mr John Fletcher, a Trafalgar House director and chairman of the joint venture Midland Expressway, says it could take three years before plans are finally approved and construction can start.

In the meantime the partners will have to finance development costs of £20m to £30m.

Only when the project is cleared to go ahead will the partners seek the large amount of loan finance which will be required to fund the venture.

The cost of the road is estimated to be £260m. This is expected to rise to about £450m to £500m when financing charges are included. Of this the two partners will provide about £60m to £70m in equity. The rest will be provided by banks and financial institutions, through a combination of loan stock and straight forward debt.

The carrot for the joint venture partners is the income they expect to generate through the toll booths over the life of the 53 year concession granted for the Birmingham Northern Relief Road.

Because the new motorway will face competition from public roads the partners will be free to set whatever toll they believe to be commercial.

# Pakistan urges founder of BCCI to start new bank

By Christina Lamb in Islamabad

THE BCCI SHUTDOWN

PAKISTAN'S financial authorities are actively encouraging Mr Agha Hasan Abedi, founder of the collapsed Bank of Credit and Commerce International (BCCI), not to withdraw his application to set up a new bank in Pakistan.

After the closure of BCCI, followed by Mr Abedi's recent indictment in New York on massive fraud and corruption charges, his application was expected to be withdrawn. Instead, in what appears to be a move of deliberate defiance to the world financial community, Pakistani officials have privately assured Mr Abedi's family and close associates that he will be given a licence and should not withdraw.

Mr Abedi, despite his ill health, began working on the new bank last year and applied for a licence under the name Progressive Bank. Plans are being developed in an office building staffed by former BCCI members in Mr Abedi's residential compound in Karachi. After long delays the Pakistan government is expected to soon award licences.

The project is thought to have received funds from BCCI's Pakistan operation, though Mr Abedi's wife Rabia denies that the family has been given any money at all from the bank. She says the project was conceived to give the 69-year-old Mr Abedi "a new interest in life" as he recovers from two heart attacks and a stroke.

Last week Mr Jam Sadiq Ali, chief minister of Sindh province and a former beneficiary of BCCI, said he would personally grant Mr Abedi a licence to open a bank in Karachi even if the central authorities decided against it.

The encouragement of a new Abedi bank which some are referring to as "son of BCCI" is consistent with Pakistan's continued refusal to believe ill of Mr Abedi, whom they see as a hero, and BCCI, which they claim was victimised because of its Pakistani management.

Pakistan's interior minister continues to insist he will not allow Mr Abedi's extradition if requested, there has been no serious investigation into BCCI's Pakistan operation and the country's state bank governor has issued an angry statement in response to a report by Coopers & Lybrand Deloitte casting doubt on the bank's apparently healthy liquidity and revealing that BCCI had been fined on several occasions by the State Bank for breach of regulations.

Pakistani officials insist that the bank will remain open at all costs and claim to have several potential buyers. Mr I.A.Hanfi, the state bank governor, said as the largest foreign bank in Pakistan BCCI's sudden closure "could threaten the whole system."

Mr Saaeed Qureshi, secretary general of finance, said yesterday: "Our policy is to give legal protection to depositors – the product of this policy is keeping Pakistan branches open."

Officials from national banks say they have been leaned on by Pakistan authorities to step in to guarantee BCCI trade financing – 12 per cent of the country's total.

WORLD ROUND-UP

# Hualon bids for BCC(HK)

TAIPEI: Taiwan's textile group Hualon is bidding to buy the Hong Kong subsidiary of BCCI.

"A Hong Kong subsidiary of our group is bidding for BCC Hong Kong," said a spokeswoman for Hualon. She declined to give any further information on the bid.

MANAMA: The Bahrain Monetary Agency (BMA) said yesterday that it had appointed international accountants Deloitte, Haskins and Sells as administrators for the local branch of BCCI.

"In accordance with the agency's law BCCI Bahrain branch shall remain under the administration of the agency who will be making an assessment of its financial position," a BMA statement said.

HONG KONG: The colony's bank panic has subsided as quickly as it formed and Standard Chartered Bank and Citibank both reported normal business yesterday, writes Angus Foster in Hong Kong.

The banks were affected by a run on deposits last week after untrue rumours started circulating.

But following repeated statements that the rumours were untrue, and a joint statement from HongKong Bank and the Bank of China group, depositors seem to have stopped panicking.

# BRITAIN IN BRIEF

## Schools need £4.3bn for maintenance

A £4.3 billion cash injection is needed to bring school buildings in England and Wales up to an acceptable standard, according to the Association of Metropolitan Authorities.

A National Audit Office report on the state of school accommodation, to be published later this week, is expected to confirm recent reports by Her Majesty's Inspectorate that up to half of all primary schools, and more than two-thirds of secondary schools, have inadequate premises.

Common deficiencies lie in the provision of laboratories for science and in facilities for teaching technology. AMA claims a capital programme of £1.4bn a year for the next three years is needed to remedy the situation. Local education authority capital spending on schools for 1991/2 will total about £600m – from government grants and credit approvals combined.

## Work to start on business site

Work is set to begin this autumn on a £120m business and residential site near Darlington in County Durham, which has been granted planning permission.

European Land, a private Yorkshire-based developer, intends to build 70 acres of office and industrial space along with 500 new homes on 120 acres of land north of Darlington, north east England. The developers say the scheme, known as Darlington Grange Park, will create about 4,000 jobs.

## Closures hit grocery trade

Shop closures among independent grocers are running at a rate of more than 30 a week as escalating operating costs, recessionary trading conditions and intensified competition take their toll, says a new report from Verdict Research, the retail consultants.

However, this fall in the number of outlets should be set against substantial consolidation that has taken place in the grocery industry over the past 20 years.

Since 1972 the number of grocery outlets in the UK has fallen by almost 60 per cent to 44,000.

## TV talks on city franchise

London Weekend Television has opened exploratory talks with Carlton Communications on the possibility of close co-operation if both companies win new London commercial franchises.

Carlton is bidding for the London weekday franchise now held by Thames Television and although no reliable figures have yet emerged Carlton is widely believed to have outbid Thames.

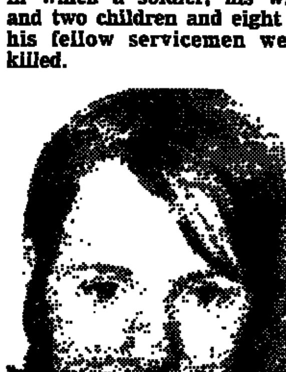
## Bombing case under review

The case of Judith Ward, jailed for life for the IRA M62 coach bombing in 1974 which left 12 people dead, is being reviewed by Home Secretary Kenneth Baker.

And there were strong indications that her case would be referred to the Court of Appeal, following in the wake of the freeing of the Birmingham Six in March and the clearing of the Maguire Seven in June.

Judith Ward, now being held in Holloway Prison, north London, has never appealed against her sentence but has protested her innocence despite her previously expressed support for the IRA.

A former WRAC private, she was jailed for the bombing of the army coach on the M62 in Yorkshire on February 4, 1974, in which a soldier, his wife and two children and eight of his fellow servicemen were killed.



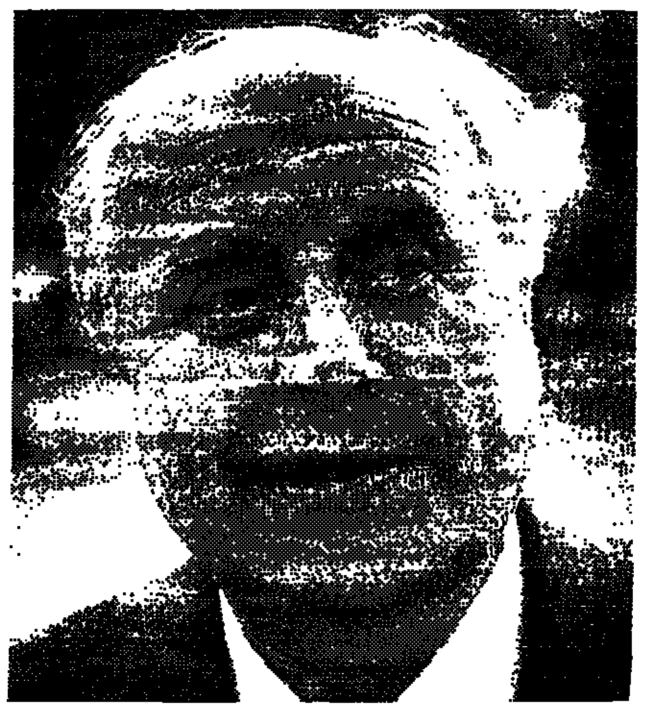
Ward: case under review

## Gift Aid scheme nets £100m

Charities received nearly £100m under the Gift Aid scheme in the first nine months of its operation, the government has announced. The scheme, which allows tax relief on single cash gifts to charities, was unveiled by the then chancellor of the exchequer Mr John Major in the 1990 Budget and began operating last October.

Individuals make a donation of a minimum of £600, net of basic rate tax, and the charity can then claim a refund of this tax.

Companies can claim the gross amount of the payment as a deduction against the company's profits when corporation tax is being calculated.



## Workers may be involved in audits

British Employers could be made to involve their workforces in "green audits" under proposals being drawn up by the European Commission, according to the Trades Union Congress (TUC). Speaking at the launch of a guide to environmental policies and issues in the workplace, Mr Norman Willis, TUC general secretary (pictured above yesterday), said that unions were as concerned for the environment as anyone else. "Trade unions and their members are not a sub-species pre-occupied with wage rates and salary levels," he said. European trade unions have been dismayed that, to date, they have been omitted from European Commission proposals to encourage companies to conduct green audits. The audits are systematic examinations of the environmental effects of a company's operations. The commission backed down earlier this year on proposals to make the audits compulsory after opposition from some industrial groups.

## Labour attacks education plans

The opposition Labour Party claims Tory local education authorities (LEAs) have attacked proposals for further education unveiled by Mr John Major earlier this year as badly thought-out and potentially unworkable.

Responses from 10 LEAs show Conservatives split on the main proposals of the policy document launched by the prime minister in May, Mr Derek Fatchett, Labour's education spokesman said.

He also criticised Mr Kenneth Clarke, education secretary, for refusing to give access to the responses which had to be obtained from the councils themselves. The government was "denying the public a basic right of information," he said.

## Express service for Thames

The development of the Thames into one of London's main commuter arteries has come a step closer with plans to operate an express river service into the capital.

Commuters living in Kent and Essex will be able to avoid overcrowded road and rail routes by using a fleet of high-speed catamarans specially designed for the Thames estuary, according to White Horse Holdings, a property company, which has launched the scheme.

## New funding for apartments

About £40m of public and private funds will be spent in England and Wales over the next year on converting redundant space above High Street shops into new apartments, according to the Mercian Housing Association of Birmingham.

Mercian has started a consortium with National Urban Renewal Agency Services (Nuras), which operates as national housing consultants, and Midlands Electricity to provide new housing through such conversions.

## Oil workers airlifted off rig

Thirty-six workers have been airlifted from the Ocean Valiant, a drilling rig 120 miles east of Aberdeen, as a precaution after a gas scare, the second within a week. Gas got into the mud system of the rig, owned by Odeco and on charter to Shell, as it was well-testing after completing drilling operations.

## Braille bills

Blind telephone users will be able to receive British Telecom bills in braille under a new scheme. Partially-sighted people will also benefit as they can opt to have bills sent to them in large print.

Obituary

# Sir Maurice Banks

Sir Maurice Banks, who died on Sunday on his ninetieth birthday, was a talented engineer who turned his hand equally well to management. He devoted his whole working life to British Petroleum, before coming out of retirement to chair the Laird Group during its difficult restructuring in the early 1970s.

Sir Maurice studied at the Manchester University College of Technology and joined the Anglo Persian Oil Company, the precursor of BP, in 1924. He worked throughout as a chemical engineer, becoming a Fellow of the Royal Institute of Chemistry.

Sir Maurice remained with BP until his retirement in 1967, becoming managing director of the engineering division in 1960 and deputy chairman in 1965 – one of the first technical staff to join the board. He was knighted in 1971.

Sir Maurice was lured out of retirement in 1970 when the Industrial Reorganisation Corporation asked him to become chairman of the Laird Group, the then ailing shipbuilding company which was on the verge of bankruptcy. He played a significant part in making the business viable again, for which he became businessman of the year in 1972. He finally stopped working in 1975.

His wife, Ruth, died earlier this year. He is survived by one son and two daughters.

Commercial property leases

# Tenants in rebellion: how fair is a fair rent?

**Charles Batchelor** reports on a wave of protest

The recession, the effect of the Gulf War on tourism and sharply higher business rates have all affected John Shuttleworth's Covent Garden restaurant.

In addition to these problems, Shuttleworth's landlord, Prudential Assurance, has proposed increasing his annual rent from £45,000 to £210,000 – a more than four-fold rise. Nor is the Pru alone in its policy of attempting to jack up rents, despite the proliferation of To Let signs now sprouting in central London and many other cities. Average increases facing Covent Garden tenants are 200-400 per cent while one business faces an 11-fold rise, from £4,000 to £44,000.

"Imagine the effect that will have on my business," says Shuttleworth. "I can't put my prices up by that amount." He has spent the past 14 months attempting to negotiate a lower increase.

The Prudential responds that it is merely seeking a fair rent for the restaurant based on what its advisers say are comparable properties. "We have a fiduciary duty on behalf of our policy holders to do the best we can for them," says Martin Moore, a senior property director.

But Shuttleworth believes his dilemma is the result of what many tenants and even some property professionals see as Britain's outdated system of commercial property leases. The effect of the Landlord and Tenant Act of 1954 – which was intended to increase the security of the residential and commercial tenant – was to put considerable power in the hands of the commercial landlord.

Leases typically run for 25 years with five-year – upward only – reviews. Tenants who wish to withdraw from a lease may assign it only to new tenants acceptable to the landlord and if any subsequent tenant goes bust the landlord has the right to return to the original tenant for payment of the rent.

It is this leasehold framework which has contributed to a 150 per cent rise in commercial rents over the past five years – compared with a rise of just 33 per cent in the consumer prices index, tenants' groups claim. Landlords dispute these claims, however.

"We only seek settlements in line with market evidence," says Tony Faulkner, managing director of Sun Life Properties. "We have had rent reviews settled at lower levels than similar properties a year ago. It is not in the landlord's interest to seek unrealistic levels of rents because they only end up with unlettable properties." National Provident Institution says it takes into account its tenants' ability to pay when setting rent levels.

Despite these assertions, the depth of the current recession has created a wave of protest from traders and tenants groups around the country. Traders in Bath and London's South Molton Street have staged token shop closures to demonstrate the strength of their feelings. Shopkeepers from London's Sloane Street have petitioned MPs on the issue while the Covent Garden Community Association is creating a register of leasehold agreements to strengthen the hand of its members when negotiating with landlords.

"Landlords argue that rents are set over a five-year cycle which balances itself out," says Michael Freedman, a partner of Adlers, a firm of surveyors advising the Covent Garden traders. "But the present recession is so deep that people genuinely cannot afford to pay the rents being asked."

"The system is grossly unfair," comments Sidney Burstein, who owns several fashion shops in South Molton Street. "It creates inflation and leads to a bad mix of shops. Leases are totally weighted on the side of the landlord."

Small shopkeepers are not the only ones to be affected by rocketing rentals; many large retailers are equally concerned. But the smaller businesses have fewer resources to fight their case against the large organisations which are their landlords.

Tenants claim that the landlords have little incentive for change. Long leases, upward-only reviews and the restrictions on their tenants' ability to reassign leases in theory make for steady incomes which they need to meet the requirements of their pensioners and insurance policy holders.

The main problems facing tenants are:

- A combination of a sharp recession with the otherwise unexceptional practice of basing rental agreements on other recently negotiated deals. Many landlords appear to be basing their rent demands on levels achieved two or three years ago at the height of the retail boom, tenants groups claim. The five-year gaps between rent reviews means there can be no gradual adjustment to changing economic conditions, only sharp changes.
- The upward-only clauses contained in many leases. If landlords use the market forces argument to justify higher rents they should not have need of these agreements to set an artificial floor to prices, says Michael Horwitz, a director of Lawrence Michael, a firm of surveyors which has represented tenants in South Molton Street and Sloane Street.
- Confidentiality clauses which prevent tenants revealing the rents they pay. This allows landlords which do agree on rent freezes or rent-free periods to keep them secret from other tenants and prevents tenants bringing downward pressure on rents.

As many as one in 10 of Covent Garden tenants have confidentiality clauses in their leases and such clauses are becoming more common, says Giles Henschel, organiser for the community association. Concern about the proliferation of such agreements prompted the Royal Institution of Chartered Surveyors to issue guidelines to its members at the end of last month.

These suggested that such clauses should only be used when absolutely necessary to clinch negotiations and if reference were made to the terms of a transaction enough detail should be included to give a true picture of the deal.

- The arbitration system which smaller tenants believe is biased against them. Arbitration is usually conducted by surveyors who are unlikely to rule against landlords advised by other surveyors, claims Henschel. "I find it extraordinary how arbitrators have been upholding landlords' rent demands," says John Shuttleworth. "The impact of the recession doesn't seem to have got through to them."
- Onerous assignment clauses. A tenant who is closing down his business or who goes into liquidation is obliged to find someone acceptable to the landlord to take on the lease. If a subsequent tenant fails to pay the rent the landlord can claim the money from the original tenant.

So what can tenants do to strengthen their negotiating position? The Covent Garden association is creating what is believed to be the first register of lease agreements so that more tenants know what nearby stores are paying. This should enable them to restrain rent rises, says Giles Henschel.

The register has details of 160 leases and the immediate target is to have details of at least two leases in each street or a total of 300. In the longer term the association hopes to have information on half of the 2,900 businesses in the area.

In the longer term some tenants believe there needs to be a change in the law to make leasehold agreements fairer to tenants. Suggestions include a move towards basing rents on the retail price index, similar to the system in France, although tenants fear they would suffer in times of high inflation.

Another proposal is for rents to be related to the turnover of the business, as is the case in the US, so that periods of boom or bust were reflected in rent levels. This would have the advantage, to the tenant, of giving the landlord an interest in the success of the business – perhaps persuading him to make improvements in properties he owned. However, landlords are concerned that sales volumes could be manipulated while their returns would be less certain.

Some landlords have shown themselves ready to take into account the present state of the economy in proposing new rent levels, says Michael Freedman. Commercial property companies have been more responsive than some of the large City institutions, comments Michael Horwitz.

The unprecedented scale of recent tenants' protests shows, however, that rent levels remain a significant concern of many businesses. "I have had to employ professional people at great cost," says John Shuttleworth. "I am not running a business any more. I am just dealing with surveyors and rents."

John Shuttleworth: rent rise proposed from £45,000 to £210,000

# Discounting – at a price

By Charles Batchelor

Recent advice from the Chancellor, Norman Lamont, urging businesses to cut their prices to get through the recession, could be dangerous if not interpreted correctedly, according to Winkler Marketing, a Brighton-based consultancy.

A straw poll of local liquidations by Winkler showed that 70 per cent of failures were of low-cost, low-price businesses which were trying to drum up sales through discounting. The businesses most likely to survive were those supplying goods and services at the upper end of the market and at firm prices.

Winkler gives the following tips for discounting in a recession:

- Never discount items you are certain to sell anyway. You are more likely to increase sales by offering every fourth item free than by knocking 25 per cent off every item. Once customers have been brought in by a special price you must increase the volume of sales of other firmly priced goods or the price cuts will come straight off your profits.
- Make price reductions look attractive. Few people actually want to buy two fitted bedrooms but a store offering "Your second bedroom at half-price" attracted far more customers than its rivals by creating customer interest.
- Do not discount every item on the invoice. Reduce prices selectively on special items. This minimises the cost to you but achieves maximum customer appeal. If you do discount do not include extras, such as delivery or fitting, in the lower price.
- Do not be afraid to put some prices up. While lowering prices of goods which are being undercut by your competitors try to offset this by increasing the price of items which are selling well.
- Discount only on big sales. You need sales volumes to keep your business going and to clear stock so reserve your discounts and special deals for bigger orders.
- Discount only for a limited time. If you discount all the time the impact of the price reductions on customers will wear off and you are likely to be left with the same level of sales as before. Discounts should boost short-term demand and not turn into permanent price cuts.
- If customers are too hard up or too nervous about their financial prospects then lower prices will not persuade them to buy. Ever lower prices will still not lead to sales so companies must be imaginative and creative in finding out what they will buy – at steady prices.

**Pricing: Action Points. Winkler Marketing, 6 St Georges Place, Brighton BN1 4GA. Tel 0273 570144. Free.*

# In brief...

■ A growing awareness of the complexity of recent legislation affecting company directors has led to a flood of guides on the subject.

Kidsons Impey, a firm of accountants, has produced an 18-page guide* entitled Directors' Responsibilities. Directors can take out indemnity insurance to cover themselves against the risks of office but their best protection is to understand their legal obligations and to keep a close eye on their company's performance, it suggests.

Casson Beckman, another accountancy firm, has published three booklets†, (total 50 pages) on the duties and responsibilities of directors, the impact of the Insolvency Acts and the rules governing the transactions in which a director may or may not be involved. The role of director should not be taken lightly, it advises.

**Publications Department, Kidsons Impey, Spectrum House, 26-40 Cursitor Street, London EC4A 1HY. £5.*

*†Marketing Division, Casson Beckman, Hobson House, 155 Gower Street, London WC1E 6BJ. Free.*

■ A £22m venture capital fund to make direct investments in Spanish companies has been set up by County NatWest Ventures and the government of Valencia. The fund, which plans to raise a further £11m from Spanish institutions, will be managed by a Spanish subsidiary of County Natwest to be established in Valencia.

*Contact Christopher McCann, County NatWest Ventures, Tel 071 375 5102, or Nicolas Janonne, economic section of Valencia government, Tel 010 34 96 386 6200.*

■ Small firms appear to be under greater pressure from their larger customers and their suppliers than they are from their banks, according to a survey of businesses in the West Midlands by accountants Price Waterhouse.

Only 3 per cent of firms, both large and small, reported they were under pressure from financial institutions. But while 22 per cent of large firms had reduced funds committed to assets or working capital, only 6 per cent of small firms had done so. Thirty per cent of large firms had reduced their borrowings compared with just 14 per cent of small firms.

This suggests large firms are more vigorous in managing their working capital; they demand prompt payment from smaller customers and they take extended credit from their smaller suppliers. It may be trade credit rather than bank credit which is causing difficulty for the small firms sector.

*Contact David Terry, Price Waterhouse. Tel 021 200 3000.*

■ People who are weighing up starting up in business on their own should question their own motivation before going ahead, according to Work for Yourself, a Which? action pack from the Consumers' Association (CA).

If you are just fed up with your present job or out of work and thinking about self-employment until a job turns up, think again. You need positive motivation to succeed and a half-hearted approach could be disastrous.

The pack explains how to draw up a business plan, how to prepare financial forecasts and suggests ways of raising finance. There is also advice on running a business, selling yourself and your product and how to handle VAT. Copies of essential Social Services and Inland Revenue forms are included.

*Published by the CA and Hodder & Stoughton. From bookshops or Subscription Department, CA, PO Box 44, Hertford X, SG14 1SH. £8.95 inc p&p.*

# BUSINESSES FOR SALE

Touche Ross

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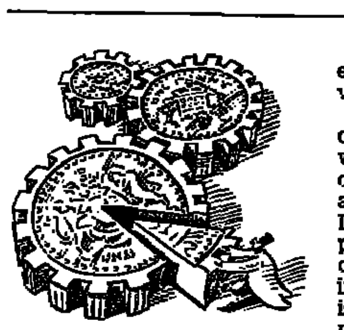
## TECHNOLOGY

# Scales out of balance



**In the first of a series looking at public spending on research and development throughout the world, Michael Prowse examines how the United States distributes funding and what factors and traditions have influenced national priorities**

Stephen Gage, president of the Cleveland Advanced Manufacturing Programme in Ohio, proudly displays a roomful of advanced technology. With federal, state and private funding – and bags of natural optimism – he is trying to persuade small- and medium-sized manufacturing companies to boost their competitiveness by buying new technology. Some companies, he concedes, cannot afford to invest but many are ignorant of the latest innovations.

Gage is generating an enthusiastic response with as many as 250 local companies attending open days at the Ohio centre. But he is scathing about US priorities in research and development. He points out that Washington is planning to spend up to $30bn (£17.5bn) on an orbiting space station with dubious industrial relevance but will invest a total of only $12m this year in his programme and four similar centres in other states.

Yet federal support – however minuscule – for the Cleveland programme is a sign of changing times. The Bush Administration, chivvied by congressional committees and private-sector pressure groups, such as the Council on Competitiveness, has grudgingly conceded that the federal R&D budget should place greater emphasis on commercially-relevant *technology*.

The manufacturing technology centres come under the wing of the National Institute of Standards and Technology, an offshoot of the Commerce Department. But next year's planned budget for Nist, the only federal agency to focus on industry's technological needs, is $248m. That compares with planned total federal R&D spending of about $76bn.

The US, while less interventionist by nature than most of its industrial competitors, has a long history of publicly funded R&D. In 1836, Congress subsidised Samuel Morse's first telegraph – a line between Washington and Baltimore – to the tune of $30,000.

Later in the 19th century, federal and state governments invested heavily in public universities *thus paving the way* for future scientific and technical dominance. Early in this century, public money and expertise was poured into agriculture in a drive to make US *farms* the most technically advanced in the world.

Every recent administration has had a love affair with science. As Professors Linda Cohen and Roger Noll point out in The Technology Pork Barrel (published this summer by the Brookings Institution), Presidents Roosevelt and Truman financed the birth of the computer industry. Dwight Eisenhower helped create the semiconductor industry while promoting nuclear power "too cheap to meter".

The Kennedy and Johnson administrations unleashed the Apollo space programme, the supersonic transport initiative and the war on cancer. Presidents Nixon, Ford and Carter responded to the oil crises of the 1970s by investing heavily in every conceivable energy technology. President Reagan, mostly preoccupied with Star Wars and other defence initiatives, supported rocket planes, orbital manufacturing facilities, nuclear fusion and breeder reactors.

All told, the US spent about $150bn on R&D last year – more than the combined spending of Japan, west Germany, France and Britain. But relative to national output, US spending looks less daunting. It accounts for about 2.7 per cent of gross national product – slightly lower than in Japan or (west) Germany although considerably higher than in France or Britain, which devote about 2.3 per cent.

The heavy commitment to defence further distorts the picture. Civilian R&D accounts for only 2 per cent of GNP in the US, compared with 2.9 per cent in Japan and 2.6 per cent in (west) Germany.

Federal spending on R&D grew more than 50 per cent in real terms during the 1980s. The defence share peaked at 69 per cent in 1986 before dropping back to about 65 per cent in 1990. After defence, Wash*ington's two biggest priorities* are health and space research, which absorb about 12 per cent and 9 per cent of the federal R&D budget. But the Council on Competitiveness calculates that spending on industrial development accounts for only 0.2 per cent of the federal R&D budget – compared with about 5 per cent in Japan and 14.5 per cent in (west) Germany.

Erich Bloch, a senior fellow at the council and former director of the National Science Foundation (the federal body that funds basic science) says that in absolute terms the US probably spends nearly enough on R&D. But the balance is wrong: defence ought to account for about a half rather than two thirds of total federal spending. And on the civilian side, more cash ought to be pumped into commer*cially relevant technologies* in fields such as biotechnology, materials and computing.

In a recent report, Gaining New Ground, the council argued that the US's technological edge had been eroded in one industry after another. "The US-owned consumer electronics and factory automation industries have been practically eliminated by foreign competition; the US share of the world machine tool market has slipped from about 50 per cent to 10 per cent; the US merchant semiconductor industry has shifted from dominance to a distant second in world markets."

The study claimed that the US tended to be strong in technologies that had received heavy federal backing. The Department of Defence, for example, had provided essential early support for the computer and aerospace industries. Heavy investment in biological science by the National Institutes for Health had contributed substantially to the US's lead in biotechnology. But comparable support had not *been forthcoming in engineer*ing and production technologies, materials, and electronic components – sectors where the US was trailing badly.

Bloch, a former IBM engineer, argues that the US has had an effective science policy since 1945 when Vannevar Bush published his path-breaking report Science: The Endless Frontier. But it has had no comparable technology policy. "Our strategy was to depend on fall-out from defence to fuel economic progress." This worked well in the 1950s and 1960s when defence technologies were at the cutting edge. But since the mid 1970s, civilian technologies have taken the lead. "We didn't catch this shift," he complains.

The Bush Administration has consistently rejected calls for an industrial policy, reiterating the standard argument that bureaucrats cannot pick winners. But a White House report last year did accept the case for a "technology policy". It said the public sector ought to "participate with the private sector in precompetitive research on generic, enabling technologies that have the potential to contribute to a broad range of government and commercial applications."

Allan Bromley, President George Bush's science adviser, has conceded *that the case* for supporting generic technologies parallels that for supporting basic research. "You can't predict where, when or to whom the benefits will really flow, and so . . . no single organisation can justify the investment that's needed to bring those technologies up through the pre-competitive phase." The rhetoric is fine but Bloch and many industrialists worry that the White House is not yet prepared to back its new philosophy with cash.

*The federal government has* not consistently supported precompetitive enabling technologies. But it has often backed technologies with commercial applications. In The Technology Pork Barrel, six programmes – the supersonic transport, communications satellites, the space shuttle, the breeder reactor, photovoltaics (devices to convert sunlight into electricity) and synthetic fuels – are scrutinised. The record is not impressive.

Cohen and Noll conclude that only one programme – the development of communications satellites in the 1960s and early 1970s – achieved its objectives. Yet it was summarily killed in 1974 despite great technological and economic promise. Ironically this *primarily reflected opposition* from a divided commercial sector: companies that failed to win bids for federal contracts lobbied successfully against the entire programme. Other countries continued to do research and the US surrendered its early lead.

The photovoltaics programme made significant progress but was greatly scaled back for political reasons. The other four programmes, say Cohen and Noll, were almost unqualified disasters.

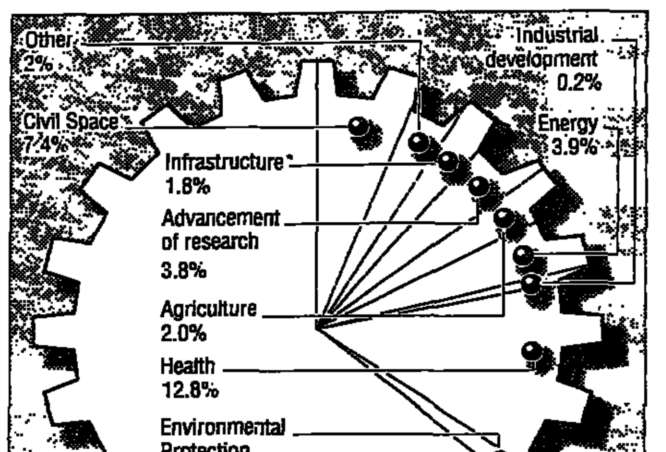
One of the lessons Noll draws from the history of postwar R&D is that the performance of a commercially relevant programme has little bearing on its political popularity – and hence funding. This depends primarily on the pattern of support and opposition within industry, the distribution of benefits within congressional districts and the extent to which a topic captures the public imagination – as space did in the 1960s.

For political reasons, the composition of the R&D budget *thus tends to alter disturbingly* fast – more quickly, indeed, than the speed with which new technologies can be developed. The upshot is an "enormous waste" of resources.

The US's America's enthusiasm for science and technology *is undimmed. The Bush* Administration proposed a 13 per cent increase in federal R&D spending for 1992, well in excess of inflation. Critics of its failure to support commercially-relevant technologies were pleasantly surprised by a 30 *per cent increase to $638m in* the budget for supercomputers.

But despite such gestures the US's ability to set coherent long-term priorities is questionable. And as yet, the distribution of resources shows scant recognition that Amer*ica's principal challenges in* coming decades are likely to be economic rather than military.

*The series will continue next Tuesday by focusing on Israel.*

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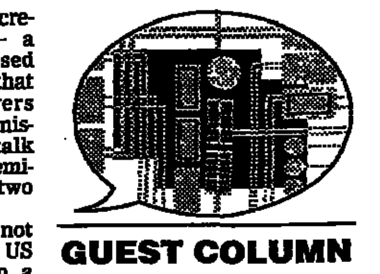
# The inequity of Sematech

**By T J Rodgers**



**GUEST COLUMN**

Four years after the creation of Sematech – a government-subsidised semiconductor consortium that costs American taxpayers £100m per year – some misguided executives still talk *about "saving" the US semi*conductor industry. I have two problems with this.

First, the industry does not need saving. Since 1987, the US and Japan have battled to a stalemate in semiconductors, and the US actually gained market share last year. Second, Semtatech does nothing to address the industry's real challenges – the high cost of capital and the short-term horizons of investors.

The US industry does have competitive problems. But the most severe problems are concentrated in the large, established companies. Indeed, *last* year, despite America's gains in world markets, six of America's eight largest chip manufacturers lost money.

There is new *strategic* logic in our business: think small, *think* flexible, think efficient. Corporate size is no longer an intrinsic asset in competing with Japanese conglomerates. The availability of cheap, high-performance desktop computers (essential to designing new chips) means that ever-smaller *companies can play* and win. With 22 employees and an investment of only $7m, Ross Technology, a subsidiary of Cypress, brought to market a chip set more powerful than the leading Intel 80486 microprocessor.

*Sematech does not recognise* these new realities. Its policies equate the health of the US semiconductor industry with the fortunes of a handful of giant companies. For example:

- Sematech's membership policies discriminate against *many of the smaller companies* leading America's comeback. Sematech's advertised dues of 1 per cent of sales have a $1m per year minimum. So a $20m company pays dues equal to 5 per cent of sales – five times the dues for a $500m company. The maximum payment is $15m per year, which means companies with sales of more than $1.5bn receive a discount.
- Sematech's policies harm American non-members. Recently, much of Sematech's budget has financed semiconductor equipment manufacturers. This makes sense; our manufacturing infrastructure is fragile. But Sematech's financial support often helps only its members rather than the industry at large.

A year ago, for example, my company, Cypress, unsuccessfully *attempted* to buy an advanced water polishing machine from a small equipment manufacturer. Why could we not make the purchase? Because Sematech contractually required that the company in question *withhold the* equipment "for a period of one year from the time of normal introduction" from all but its members. Sematech is withholding from US companies equipment which has been financed by US taxpayers – an irony given *that Sematech has accused* Japan of the same practices.

If the dynamics of our industry have changed and high-cost programmes like Sematech are ineffective, how can the US government support the entrepreneurial companies making gains in world markets?

First, Washington should restructure the capital gains tax to punish short-term speculation and reward long-term investments. Second, Washington should abolish laws devised during the Depression *to prevent commercial banks* from owning corporate equity. This reform would allow banks to develop debt/equity "mezzanine" securities and increase the flow of capital to small manufacturers. Government support must create a rising *tide that lifts all* boats; Sematech helps only the battleships.

*The author is president and CEO of Cypress Semiconductor Corporation.*

EDINBURGH FESTIVAL

# *Monuments to a grand tradition*

**Mary Rose Beaumont** looks at an exhibition of Scottish sculpture

The proposal for a national Gallery of Scottish Art has reared its controversial head again. The stated intention is to bring under one roof the Scottish paintings, drawings and sculpture currently divided between the three National Galleries of Scotland.

To the surprise of the organisers, *Scotland's pictures*, a festival exhibition, last year attracted more than 150,000 visitors, a phenomenon which has encouraged the present initiative. So far the Scottish Office has pledged £50,000 for a feasibility study, and a splendid Victorian Baroque building opposite the Gallery of Modern Art is a proposed site. The many millions it will cost actually to implement the proposition, not to mention several conflicting interests, are another matter and, given Edinburgh's reputation for parsimony with regard to the arts, it seems likely that it will remain a pleasant pipe dream.

Meanwhile, at the Royal Scottish Academy, the huge exhibition *Virtue and Vision: Sculpture and Scotland 1540-1990* has been mounted in the hope of repeating the success of *Scotland's pictures*. It is doubtful whether it will. Sculpture is more difficult to appreciate than painting, and rows and rows of marble busts of mostly unknown worthies become monotonous. Nevertheless it is a brave attempt to chronicle the role of sculpture in Scotland from the Renaissance to the present day.

It was not until the 20th century that a strong native school emerged, spearheaded by Hew Lorimer's monumental figure sculptures. Now of worldwide repute, but known only to a small coterie at the time, Charles Rennie Mackintosh's 1904 plaster relief for the Willow Tea Rooms shows how far his work was in advance of public taste. The post-war generation of internationally-known Scottish sculptors is well represented by William Turnbull, Ian Hamilton Finlay and Sir Eduardo Paolozzi (to September 15).

Paolozzi was born of immigrant Italian parents in Leith, but he is probably better known and certainly more widely seen on the Continent, especially in Germany, than in Britain. As a salute to his native city he has made a

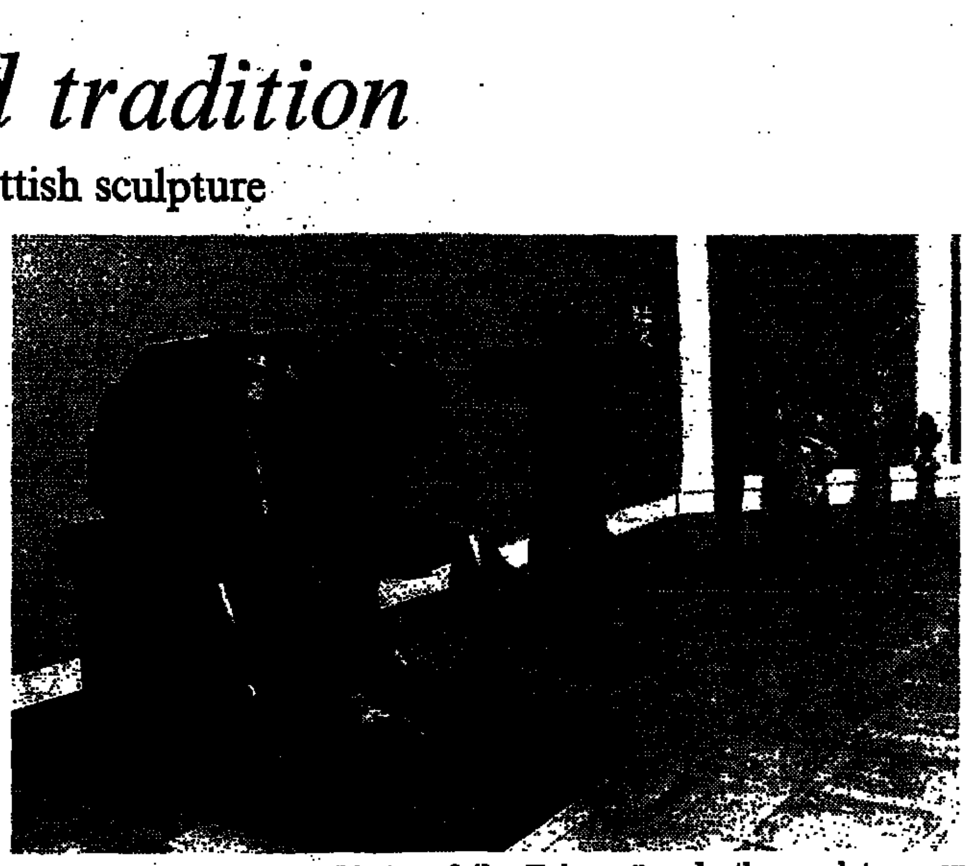
*The sculptures in Virtue and Vision are more difficult to appreciate than painting: rows and rows of marble busts of unknown worthies become monotonous*

three-part sculpture which is permanently installed outside Saint Mary's Roman Catholic Cathedral at the top of Leith Walk. Entitled *Ms of Monte Cassino*, the incised Latin text expresses the link between Italy and Scotland. The massive foot was inspired by Constantine's gigantic marble foot in the Campidoglio in Rome, whilst a huge cupped hand, more Egyptian than Roman, invites human intimacy in the form of children playing in its bumps and hollows.

Arguably, Ian Hamilton Finlay is also more of a name to conjure with outside the British Isles, although his battles with Strathclyde Regional Council, which had the temerity to attempt to levy a rate on the building that Finlay had designated a Garden Temple, made him something of a local hero in Scotland. It is not surprising, in the light of these hand-to-hand combats and the irascibility with which they were conducted, that the exhibition of his work at the newly-revived Fruitmarket Gallery, organised by the Graeme Murray Gallery, is the first major retrospective in his home country.

Known primarily as a concrete poet, Finlay's chief weapon is language, which he deploys in conjunction with imagery, often ironically, pointing up a contradiction in meaning between word and image. A room of neon slogans is surrounded by a veritable cascade of graphic work produced by the Wild Hawthorn Press between 1958 and 1991. Poems, prints, postcards, magazines, booklets large and small, even jam-pot covers; all were grist to Finlay's linguistic mill. *A print of Saint-Just as Tatlin* neatly combines his interest in French philosophers and Russian revolutionaries. (to September 14)

Hamilton Finlay features in a third Festival exhibition, which was conceived by himself three years ago and has finally taken shape at the Talbot Rice Gallery. Finlay made a watercolour inspired by Puvis de Chavannes' well known icon *The Poor Fisherman*, followed by two stone reliefs, which suggested to him a wider context. It was felt that the work of other artists whose philosophy was in tune with the tragic yet not hopeless situation of the poor fisherman should be included. So, it is appropriate that Scotland's greatest marine painters and mythologisers of the sea, Sir William McTaggart and John Bellany, are among them.



Eduardo Paolozzi's "The Master of the Universe" and other sculptures on display at the Royal Scottish Academy

It is a sad reflection of the straitened circumstances of the National Galleries of Scotland that the Gallery of Modern Art has not this year been able to initiate an exhibition, but has been obliged to take one that has already been seen in London and Paris.

This is the third outing in Britain for Michael Andrews' Ayers Rock paintings, first exhibited at the Anthony d'Offay Gallery in 1986. That said, it is good to see again Andrews' Scottish paintings of the mid-1970s, which are presumably a partial justification for the exhibition, and one recently-completed panoramic view of the Perthshire landscape which he knows so well and has painted in so physical a manner that you feel you could walk about in it. The hoped-for panorama of the Edinburgh was not completed in time. (To September 29)

An entirely home-grown and home-nurtured artist (apart from a brief spell in Paris) is Sir William Gillies, who was born at the turn of the century and died in 1973. The Scottish Gallery and Bourne Fine Art are showing paintings, watercolours and drawings from his long and prolific career.

Having absorbed the lessons of post-impressionism and Cubism in Paris, on his return to Scotland he adhered to the principles of the French-influenced Scottish Colourists, in particular Peploe and Cadell. His still lives may owe something to Cezanne and Braque but his landscapes are unmistakably Scottish, swiftly recording in line and colour the rolling hills, meandering roads and precise little houses. As principal of Edinburgh College of Art he had enormous influence on successive generations of colleagues and students, some of whose work is also shown at the Scottish Gallery. (To September 4).

# *Too Clever By Half*

**EMPIRE THEATRE, EDINBURGH**

There is obviously more to *Too Clever By Half* than meets the ear in this production but since the translation system hardly works it is impossible to be sure how much. There may well be more than meets the eye: the lighting system is none too effective either. The piece is by the Russian playwright, Alexander Ostrovsky, and Edinburgh has not done him proud.

The synopsis of the plot runs to seven pages of smallish print in the programme – more than you would expect of even the most complicated opera where, at least, there would be music to compensate. It revolves round a young satirist who needs money when his father dies and must, therefore, conceal his satirical bent while seeking a wife with a dowry.

I have read the synopsis twice and still find it hard to follow. Moreover, its relationship to what happens on stage is somewhat limited. The synopsis makes no reference to the hero twice appearing naked, nor to the sex theme where the hero crawls under a lady's crinoline to perform his deeds, nor even to the final poisoning.

To be sure, you can draw your own conclusions which bring synopsis and performance broadly into line, but it is a strange piece of work when you can hardly see or hear. The Edinburgh audience was very stoical about it. Some people declined to use the translation system, presumably on the grounds that you had to pay extra for it. A few left almost immediately. Others went quickly to replace their set, only to find that they were all equally defective. One lady retreated to the loo and reported back that from there you could hear every word, but it still did not fit with the synopsis.

The big withdrawal took place silently and discreetly at the interval, after which the audibility became slightly better. Perhaps there had been too many people to start with. The Empire is a colossal theatre which has served for many years as a bingo hall and has only recently been reclaimed by the festival. Yet even when making allowances for the unfinished refurbishment, there can be no excuses for this kind of shoddiness. At times, you could just about hear the translation of the women but not the men; at others, vice-versa. Sometimes there was just a click-click-click. Some stretches of the dialogue were not translated at all.

For the record, Ostrovsky (1823-1886) wrote a number of plays before briefly becoming Director of the Moscow Theatre School. He died shortly afterwards. A programme note says, perhaps slightly unkindly: "Because his plays are so narrowly native and parochially Russian, Ostrovsky is not as easily accessible to Western audiences as some of his fellow Russian writers."

*Too Clever By Half* is not nearly as obscure as that note suggests. It is just very slow and very Russian. At times, it is cleverly satirical. Played at speed – especially the sex scene, but also some of the dialogue about society – it might be very funny. Edinburgh has done the Lenkom Theatre of Moscow, whose production this is, no service by hosting it in this way. The transfer must have cost a great deal of money: unless the translation system is quickly improved, it will have been wasted.

**Malcolm Rutherford**

# *Outside Life*

**MAN IN THE MOON**

Kitchen Sink drama has reached the age of discretion in the post-Yuppie 1990s, and has spawned Moulinex drama. This hybrid form is composed of culture-bites processed and blended; the final *coup de cuisine* mixes the main ingredients together at the end of the evening. Such is the shape and ethic of Trisha Lee's *Outside Life*, at The Man in The Moon, in Chelsea.

This is a frustrating play about boredom at home. At its most serious, *Outside Life highlights the problems* created when one's spouse is detained at Her Majesty's pleasure; existence goes on hold while the waiting takes over. Few plays can make waiting dramatically interesting (even the most famous states blankly, "Nothing happens, nobody comes, nobody goes, it's awful!") At its lightest and funniest, the play is strictly for the *cognoscenti domestici*; its nuances will bypass those who are unaffected by odd socks, muddy floors or supermarket trolleys.

Jackie, the heroine, is a young mother of two; she and her convict husband Martin are both confined by their environments – four dirty walls and a door they cannot open. Jackie's life is punctuated by interchanges with her daughter, her daughter's teacher, and the local post-woman. She develops agoraphobia, and makes her daughter run the errands. She has just effected a cure when her brutish husband returns and breaks up the life she has recreated.

Lee's script skirts around the privations of life inside, but makes the prison visits painfully good: minutes, kisses and ashtrays stolen in the visiting-room, conversations that start from the heart and fetch up in cliche.

Outside, the play tackles the domestic heartache by sidestepping into fantasy: Martin posts himself home and is found flat on the doormat. Before the last post back, he takes a magic carpet trip round the locality and moves into Jackie's television to become a hydra-headed multi-channel spectacular. En route, he pauses to parody TV advertising and Yuppie childhood totems: *Blue Peter*, Simon Bates's "Our tune" (excruciating yet compelling) even *Neighbours*.

The action romps around a nursery-room set fronting a cityscape silhouette. The two actors, Donna Smith and Steve Knowles as Jackie and Martin, are inventive, energetic and above all plucky enough to make a difficult script come alive. Smith is particularly versatile. Both play a range of characters. They switch between scenes like a microprocessor changing programmes;and they chop up the action like a food processor on MAX.

**Andrew St George**

# *Serious Fun*

**Alastair Macaulay** and **David Vaughan** sample a New York performance festival

"Unleash your id!" says the publicity; "Do Serious Fun." Serious Fun is the crazy-quilt name of a performance festival that Alice Tully Hall at Lincoln Center presents every summer, just as the New York streets start to feel like an oven. Performance art, mixed-media postmodern dance, artrock film-music . . . it all qualifies.

I spent two evenings this summer at Serious Fun, one good, one mainly wonderful. On one Saturday night, Art Zoyd, a group of four French musicians, accompanied Murnau's classic 1921 Dracula movie *Nosferatu* with loud, punching, acid art-rock sound. A privilege to see this film on a huge screen; (the musicians' massive equipment piled in high tiers on either side); a surprise to find that it gained in excitement from Art Zoyd's score almost as much as, say, the 1926 *Ben Hur* does from Carl Davis's score played live by a big orchestra. The rock sound – which occasionally lapsed into deliberate silence – didn't have the range to catch the film's more tender or ironic passages, but it gave it terrific suspense. Varied instrumentation ensured that the sound was never monochrome, and amplification gave instruments new qualities. (At one point I noted down: "Terror saxophone.")

The evening before had been a *double bill* – Harry Kipper in *Big Bad God* and Blue Man Group in *Tubes*. Kipper is a stand-up comic who retold Old Testament stories with a part-Cockney, part-North-country accent, blurry enunciation, infantile jokes and a few performance-art gimmicks.

Ten seconds after the interval, however, I'd forgotten all about it, because of Blue Man Group. These three men are the Martians of performance art, or perhaps the commedia dell' arte of outer space: weird, terrifying, ingenious and quite marvellous. Their faces and visible skin are all painted deep azure, they wear black armour, and, though each shows some individual character, they show no emotion. *Tubes* included drumming, amplified eating, new-wave painting, audience participation, live video, several miles of paper and, oh yes, a lot of primary-coloured paint.

*Tubes* involved so much deliberate ickiness early on – gobbing paint on a canvas; amplified eating of cereal; erupting zits stylised as volcanic lava – that any healthy-minded audience member soon stopped feeling prissy and started to revel in the show's brilliant intricacy. The best joke of the amplified eating cereal noise wasn't the loudness of the crunching, it was the rhythmic trio they turned that into. The punchline of the gobbing-paint-on-a-canvas was the way in which one Blue Man, who held the canvas, let one colour of paint trail down in one direction and then (after the next gobbing) let another colour trail down in another direction; making, in short, much the Ian Davenport type of painting William Packer was describing on this page last week.

And not even Dame Edna so terrorised an audience as these three. Of those dragged up to participate, the one I remember best was the man who was taken into the wings and shown on live video (projected to us on a huge screen) being helped into a straitjacket, hung upside down, tarred with paint and then swung on to a bare canvas: to make another new-wave painting.

In the climax of the performance, a drumming and lighting spectacle show developed onstage, when the Blue Men walked over the audience seated in the stalls and started to unroll huge rolls of white paper that were hung along the Alice Tully Hall balcony. Paper flowed forth in torrents, down over the audience; everyone seated there found themselves obliged to raise their hands to pass paper, paper, paper overhead (to keep from drowning in the stuff), passing it forwards to the rows in front; and the light came by way of very powerful stroboscope, so that one saw this tidal wave of paper not only from beneath but also in a broken sequence of successive "frames."

Then, as the paper and the light cleared, everyone saw the Blue Men, back onstage, drumming busily away, in a fanfare of light, while multi-coloured fluids spun out from their chests like Catherine wheels. By this point, the audience was delirious with surprise and delight. Me too. Maybe our ids had been unleashed.

# *Megadance*

*Megadance* is a grab-bag of work by a number of experimental choreographers, four of them this year, each of whom presented a new piece, *writes David Vaughan*.

The first and best was Impact, by Elizabeth Streb, whose work expands the definition of dance to include acrobatics, tumbling, and aerialism. Streb and her intrepid team of dancer-athletes hurl themselves through space, against walls, against each other. This time the wall was of plexiglass, enabling the audience to see the action on both sides of it. If choreography can be defined as the arrangement of bodies in space and time, then this is undoubtedly choreography. For the audience there is the vicarious thrill of watching people testing their strength and endurance to the utmost; even as we wince and gasp, we laugh.

The evening went downhill from there. Ann Carlson, Doug Elkins, and Charles Moulton each presented work that called into question the assumptions of American culture, in ways that ranged from the incoherent to the downright incompetent. The audience apparently found such things as disco moves to baroque music – or alternatively, ballet steps to rock and roll – fresh and funny.

On other evenings, the festival presented old and new work by Lucinda Childs and David Gordon. These are hardly "emerging" choreographers – both were original members of the Judson Dance Theater in the early 60s. Dance, with choreography by Childs, music by Philip Glass, and a film decor by Sol LeWitt, is a celebrated collaboration dating from 1979.

The film – of the original cast – is projected on a screen at the front of the stage; behind it, we see the dancers performing the same sequences. Watching the skipping, turning, hopping phrases is rather like reading a Gertrude Stein text in which every so often there is some slight modification of the endlessly repeated sentences. Only Childs herself and Daniel McCusker remain from the 1979 cast; her torso now looks more rigid than it does in the film, but she is still a commanding presence.

David Gordon has for many years worked with text as well as movement. His latest work, The Mysteries and What's So Funny?, performed by members of his Pick Up Performance Company and several actors, is to all intents and purposes a play, whose warp is the life, work, and thought of Marcel Duchamp and whose woof is the history of a family.

This may sound confusing but it is crystal-clear in performance thanks to Gordon's masterly manipulation of the various levels of action and meaning and to Valda Setterfield's incandescent performance as Duchamp. The music was again by Philip Glass, and the witty decor, full of allusions to Duchamp, by Red Grooms. The Gordons are a talented family. Setterfield is David Gordon's wife, and their son Ain Gordon is the author and director of another brilliant piece seen this year, Get In The Car.

*INTERNATIONAL*

# ARTS GUIDE

TODAY'S EVENTS

## ■ AMSTERDAM

**Concertgebouw** 20.15 Piano recital by Emanuel Ax, with music by Schubert, Brahms and Andre Previn. Tomorrow and Fri: Neeme Järvi conducts the Royal Concertgebouw Orchestra. Thurs: Ton Koopman conducts the Amsterdam Bach Soloists (6718 345)

## ■ ATHENS

**Herod Atticus Theatre** 21.00 Concert by the Israel Philharmonic Orchestra conducted by Zubin Mehta (322 1459)

**Lycabettus Theatre** 21.00 Shakespeare's Macbeth staged by the Foundation Theatre. Tickets for all Athens Festival and Epidaurus Drama Festival performances can be bought at the festival box office, 4 Stadiou Street (322 1459)

## ■ BERLIN

**Kleines Theater** 20.00 Das Küssen macht so gut wie kein Geräusch (Kissing makes no noise), authentic Berlin revue with ample local colour, runs till Aug 24, except Sun and Mon (821 3030)

**Freilichtbühne an der Zitadelle** 20.00 Open-air performance in German of Shakespeare's A Midsummer Night's Dream. Runs till Aug 25, except Mon (331 6920)

## ■ COPENHAGEN

**Tivoli Koncertsalen** 19.30 Vladimir Ashkenazy conducts European Community Youth Orchestra and Tivoli Concert Chorus in Mahler's Third Symphony, with Christine Cairns soprano. Tomorrow: piano recital by Ilja Bergh. Thurs: Michael Schonwandt conducts Strauss and Wagner. Fri: Dvorak's Piano Quartet in A major. Sun: Bo Boje Skovhus sings Schubert (3315 1012)

## ■ GENEVA

**Hôtel de Ville** 20.30 David Porcelijn conducts the Orchestre de la Suisse Romande in four of Brahms' Hungarian Dances, Stravinsky's two Suites for small orchestra and Berio's Ritorno degli snovidenia for cello and small orchestra, with soloist Thomas Demenga. Thurs: Berne String Quartet (289962)

## ■ LONDON

**MUSIC AND DANCE**

**Royal Festival Hall** 19.30 English National Ballet in Ronald Hynd's production of Coppélia, with Ana Lobe and Laurent Novis in leading roles. Daily till Sat, with matinee and evening performances tomorrow and Sat (071-928 8800)

**Queen Elizabeth Hall** 19.00 Opera Factory production of Cosi fan tutte, staged by David Freeman, designed by David Roger and conducted by Mark Wigglesworth. The cast is led by Marie Angel as Fiordiligi and Nigel Robson as Ferrando. Repeated Thurs and Sat (071-928 8800)

**Royal Albert Hall** 19.30 Libor Pesek conducts Royal Liverpool Philharmonic Orchestra in Suk's Asrael Symphony and Elgar's Cello Concerto, with Ralph Kirshbaum. Tomorrow: John Lill plays Beethoven's Third Piano Concerto. Thurs: BBC Scottish Symphony Orchestra. Fri: Rozhdestvensky conducts Dvorak's dramatic cantata The Spectre's Bride. Sat: Alexander Gibson conducts Rakhmaninov, Mendelssohn and the premiere of a new work by Martin Dalby. Sun: Handel's Music for the Royal Fireworks (071-823 9998)

**Barbican** 19.45 Shanghai Acrobats: a spectacular display of Chinese acrobatics. Runs till Sun, with matinee and evening performances on Sat and Sun (071-638 8891)

**THEATRE**

● Uncle Vanya is a Renaissance Theatre Company production of Chekhov's play in a version by Pam Gems, directed by Peter Egan and Kenneth Branagh, with a cast led by Richard Briers as Vanya and Peter Egan as Astrov. Runs till Aug 31 (Lyric Hammersmith 071-836 3464).

● Spunk is a widely acclaimed New York Public Theatre production written and directed by George Wolfe, adapted from short stories by the black American Zora Neale Hurston, using blues and dance to illustrate three compelling tales of survival (Royal Court 071-730 1745).

● The Lady from the Sea is a Womens Playhouse Trust production of Ibsen's classic play of love and freedom, directed by Jules Wright and starring Kathryn Pogson. Runs till Aug 24 (Riverside Studios 081-748 3354).

● 70 Girls 70, a musical by Kander and Ebb (of Cabaret and New York, New York), is an evening of harmless fun and amusement, distinguished by Dora Bryan's performance as Ida (Vaudeville 071-836 9987).

For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

## ■ MUNICH

**Lukaskirche am Mariannenplatz** 20.00 Organ recital by Peter Schammberger, including music by Bach and Messiaen. This is one of several recitals by different organists this week in the Lukaskirche. Thurs and Fri in the Brunnenhof der Residenz: open-air serenade concerts by the Munich Chamber Orchestra, with music by Mozart. Sun: members of the Vienna Philharmonic play music for chamber orchestra (221757)

**Teamtheater** 20.30 The True Life of Jacob Gehherda, play with music by Brecht, directed by Ralf-Gunter Krolkiewicz. Daily except Sun and Mon (260 4333)

## ■ NEW YORK

**MUSIC**

**Avery Fisher Hall** 20.00 Andre Previn is conductor and soloist with the Mostly Mozart Festival Orchestra in Mozart's Serenata Notturna and Piano Concerto No 24, plus Haydn's Symphony No 102. Repeated tomorrow. Thurs: Pinchas Zukerman plays Mozart violin sonatas with Marc Neikrug. Fri and Sat: Previn conducts all-Mozart programme with Kathleen Battle soprano soloist. The Mostly Mozart Festival runs till Aug 24 (875 5030)

**New York State Theater** 20.00 Richard Bradshaw conducts Jonathan Eaton's production of Cav and Pag, updated and transposed to the Little Italy neighbourhood of New York at the turn of the century. Repeated Sat matinee. Tomorrow and Sat evening: La bohème. Thurs: Turandot. Fri: La traviata (870 5570)

**BROADWAY THEATRE**

● Lost in Yonkers is Neil Simon's Pulitzer Prize-winning play, set in Yonkers during the Second World War, about what happens when a pathetic man leaves his two adolescent sons in the hands of his intimidating mother (Richard Rodgers Theater, 226 West Forty-sixth Street, 307-4100).

● The Will Rogers Follies, which won six Tony awards including best musical, is an old-fashioned all-American extravaganza directed with customary flair by Tommy Tune, with a cast led by Keith Carradine (Palace Theater, 1564 Broadway at Forty-seventh Street, 730-8200).

● The Secret Garden is a musical based on the Frances Hodgson Burnett novel, about an orphan (Daisy Eagan, who won a Tony for her performance) who goes to live with her unhappy uncle and discovers a garden where anything can happen (Saint James Theater, 246 West Forty-fourth Street, 239-6200).

● Once On This Island is a musical set in the Caribbean, based on the Trinidadian author Rosa Guy's novel My Love, My Love, telling of a peasant girl's passion for a wealthy landowner's son (Booth Theater, 222 West Forty-fifth Street, 239-6200).

Ticketron answers inquiries and sells tickets (246 0102)

## ■ PARIS

**Auditorium**, Forum des Halles 20.30 The Turner Quartet, with the oboist Marcel Ponseele and pianist Guy Penson, present a programme of chamber music by Mozart. Next Mon: cello and piano recital by Catherine Collard and Sonia Wieder-Atherton. These concerts are part of the 1991 Festival Estival de Paris, which runs till the end of August (4804 9801)

A 24-hour recorded telephone guide to Paris entertainments is available in English (4720 8898)

## ■ ROME

**Caracalla** 19.15 Concert by soloists of the Teatro dell'Opera, followed at 21.00 by a staged performance of Nabucco, repeated on Sat. Tomorrow and Sun: ballet Zorba the Greek. These are the final performances of the Caracalla season (488 3641)

## ■ VERONA

**Arena** 21.00 Daniel Nazareth conducts Giuliano Montaldo's production of Turandot, with Ghena Dimitrova in the title role, Paata Burchuladze as Timur and Nicola Martinucci as Calaf, repeated on Fri. Tomorrow: Leo Nucci sings the title role in Rigoletto. Thurs: Nabucco. Performances continue till the end of August. Tomorrow till Sat in Teatro Romano: Ballet National de Marseilles in Roland Petit's Pink Floyd Ballet (045-800 5151)

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*CNN*
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of the day's major business stories with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

*Superchannel*
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0830 & 2030 (Thurs) Financial Times Business Weekly

*Sky News*
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

**SATURDAY**

*CNN*
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0900-0930 World Business Today – a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

**SUNDAY**

*Superchannel*
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly

*Sky News*
1030-1100 FT Business Weekly

*CNN*
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
0040-0110 Inside Business

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Tuesday August 13 1991

# Europe's new immigrants

IT IS EASY both to criticise and to understand the Italian government's decision to deport thousands of Albanians. Over the past year, at least 20,000 Albanians, desperate at first to escape from communist repression, and more recently to seek a better life in the west, have landed in Italy, none with visas. The determination of these impoverished would-be refugees to stay in Italy is now equalled by the determination of the Italian government to send them home; the result has been clashes between Albanians and the Italian police. Meanwhile, Rome and Tirana are holding talks.

The problem is not confined to Albania, which has one of the lowest living standards in Europe. At a time when the EC member states are attempting to harmonise policies for the free movement of people within the Community, the EC can hardly avoid reflecting on what policy it should adopt towards those people from eastern Europe and the Soviet Union wishing to escape economic misery.

Western governments are in a dilemma. Before the collapse of the communist regimes in 1989, these governments, citing the Helsinki Final Act, insisted on free rights of travel and emigration for all the inhabitants of eastern Europe. But once the iron curtain was lifted, those same inhabitants were faced with obstacles imposed by the same western governments.

## Massive movement

Until recently, Germany, despite coping with a massive movement of east Germans, as well as immigration from the Soviet Union and Romania, has been the most welcoming. It abolished visas for Poles, Hungarians, and Czechoslovaks. Interestingly, many of these do not stay abroad, largely because reforms in their home countries are moving apace, and because they feel they have a stake in their own homeland. The same cannot be said for Bulgarians, Romanians, Albanians, and probably soon not for Yugoslavs either.

Indeed, since the beginning of the year a rather ominous trend has emerged as western governments have proved more willing to accept citizens from the "A" class of the reforming countries of central Europe, while retaining strict travel controls for the Balkan countries.

It is true that the potential for political and economic instability in the Balkans makes that area the most likely source of mass immigration on a scale that western Europe would be unable to accept. But in this way, the community is stumbling towards an immigration policy which requires urgent but rigorous consideration.

## Quota systems

Typical national quota systems, biased towards skilled an professionally qualified immigrants, as used in north America and Australasia, are inappropriate for Europe, which has an enormous and self-interested stake in the progress of its eastern neighbours. Such quotas drain away precisely those brains most acutely needed for successful reform at home.

It is also obvious that all the eastern economies face periods of more or less harrowing transition and that they will need to provide support for the numerous victims of change. The Community may well be called upon to consider direct appeals for aid in this welfare process; these will have to be judged sympathetically, on their merits. It will be worth recalling the problems created in Germany by the over-pricing of labour in the eastern part of the country.

Western Europe's policy on immigration from the east is indivisible from the EC's approach to trade and economic development. In the short term, and perhaps even the medium term, some physical controls on immigration are inescapable; there is no point in exporting economic and social chaos from the east to the west.

But on the trade front, the Community has the power to act now. Only if the economies of eastern Europe have access to western markets will they be able to create the conditions for western investment to flow towards the east. And only then will east and west achieve the degree of integration which will make truly liberal immigration policies workable.

# Share shops on the cheap

THE British government's new share shop scheme is, according to Financial Secretary Mr Francis Maude, a decisive step towards a share-owning democracy. This is not the first time that a Tory Treasury minister has made such a high-falutin claim about the imminent arrival of a more pervasive form of private share ownership. But for sheer quirkiness the latest initiative will take some beating.

The decision to nominate eight financial institutions to act as share shops for an offer of shares in British Telecom smacks more of the cartelised practices of the scandal-prone Japanese capital markets than anything in the British financial tradition. Like earlier privatisation gimmicks it reflects muddled thinking and is unlikely to work.

The problem is partly one of excessive expectations. Many in the government appear to believe that wider and deeper share ownership will somehow encourage thrift and that thrift is inherently virtuous. Neither proposition is self-evident. The Japanese are regarded with some justice as the most enthusiastic savers in the developed world. Yet Japanese individuals' stake in the equity of Japanese listed companies has fallen from over 60 per cent at the start of the 1950s to nearer 20 per cent today. Market scandals threaten to reduce the percentage further now that private investors have been made aware of the preferential treatment accorded by brokers to institutions.

## Inescapable fact

At the other end of the spectrum the personal savings ratio in the US is notoriously low, even though the habit of private share ownership is deeply entrenched. Meantime the big US investment institutions are steadily increasing their stake in quoted equity shares at the expense of the private investor. That underlines the point that the trend towards institutional ownership is an inescapable fact in the main industrialised countries. And in a world of free capital flows a decline in the UK personal savings ratio – which was chiefly attributable in the 1980s to the government's own policy of financial deregulation – can readily be made good, through the intermediation of the markets, by excess Japanese savings.

A case could no doubt be made for raising UK domestic savings over the medium term in order to ease the strains of financing the current account deficit. But given the depressed state of the British economy, it is just as well that Mr Maude's share shops are unlikely to generate a short-term increase in domestic savings, and thus a reduction in consumption, at precisely the point when recovery needs to be nurtured.

## Chief impetus

As for the suggestion that share ownership can give individuals a worthwhile stake in the economy in which they live and work, it may be true for some. But the savings of a very large proportion of the population are simply too small to permit the accumulation of a prudently diversified portfolio. What kind of share-owning democracy is that?

In practice it seems questionable whether the proposed incentives for buying and selling through share shops will make much difference. It is possible that some members of the public will discover that share dealing is a less esoteric business than they thought. But if the British Telecom issue is generously priced, as it surely will be in a sensitive pre-electoral period, the pattern of past privatisations whereby private individuals ultimately sell out to the institutions will probably reassert itself. The inducement of lower dealing costs is, after all, purely temporary. More importantly, it fails to address the chief impetus behind the shift to institutional share ownership, which is fiscal.

In the current year the Treasury will provide a near-£12bn subsidy for collective investment via occupational pension schemes, through tax relief on pension contributions, investment income and lump sum payments to pensioners. Compared with that the financial incentives for private share ownership provided through successive privatisations are paltry. Until the government addresses this intractable fact, wider and deeper share ownership will remain a mirage.

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Makers, users and regulators are not agreed on one high-definition television standard. Michael Skapinker and Andrew Hill report

# Sharp pictures, fuzzy regime

Mr Filippo Maria Pandolfi, the European Community commissioner for science and research, has the disconcerting habit of agreeing with both sides of an argument.

When two satellite broadcasters had a dispute in his office last month, he assured them they were both right. He recently concluded an acrimonious and inconclusive gathering of broadcasters and television set makers by expressing his delight at the convergence of views.

Being agreeable, however, is not enough. When Mr Pandolfi, broadcasters and electronics manufacturers set off on their holidays this month, they left one of their prestige projects, high-definition television (HDTV), looking as healthy as a set whose antenna had been struck by lightning.

HDTV – the transmission of razor-sharp pictures on to wide screens – is regarded as so important to the future of European electronics that manufacturers such as Thomson of France and Philips of the Netherlands are spending £2bn on it, much of it provided by their governments and European research programmes.

The companies involved say expertise gathered in the development of clearer television pictures will have applications far beyond the world of consumer electronics. In Japan, medical students can already watch brain surgery recorded by high-definition cameras. Champions of HDTV say that sharp screens will ensure that anti-aircraft gunners *do not* mistakenly shoot down civilian aircraft.

EC officials and electronics manufacturers believe that if indigenous companies are to stay in the HDTV race, all parties involved need to agree on a common broadcasting standard – one which protects the interests of existing television set owners and which provides Europe with an opportunity to withstand Japanese competition. Despite repeated discussions, they have so far failed.


Manufacturers such as Philips and Thomson see HDTV as a crucial test of whether the EC can create the conditions for the survival of a European electronics industry. Most satellite broadcasting companies claim the Commission is pandering to the narrow interests of a few manufacturers and disregarding those of consumers and other players in the industry.

Philips and Thomson want satellite broadcasters to use Mac, Europe's proposed HDTV standard. They want the broadcasters to begin with D2-Mac, which provides clearer pictures than those available today, and then move on to HD-Mac, fully-fledged HDTV. Almost all European satellite broadcasters say Mac will raise the cost of receiving equipment and stunt the growth of the satellite market.

At the centre of negotiations is the 63-year-old Mr Pandolfi, tirelessly attempting to cajole some of the world broadcasting and electronics industries' toughest negotiators into agreement. He has met Mr Rupert Murdoch, whose company owns half of British Sky Broadcasting (in which Pearson, publisher of the Financial Times, has a stake) and Philips president Mr Jan Timmer – and has brought them face to face. A veteran of Italian politics – he has been minister of finance, industry and agriculture – Mr Pandolfi has several times announced that he has reached agreement, only to be contradicted by the broadcasters and equipment makers.

Mr Pandolfi and other Commission officials have been the object of fierce lobbying. The manufacturers, led by Thomson and Philips, have worked mainly behind the scenes, putting pressure on Brussels through their governments, while satellite operators and broadcasters have waged a more public campaign. As one Brussels official put it: "Murdoch has organised a very powerful lobby. He only needs to say the word and 10,000 people would rise to arms without knowing whether Mac was a man or a horse."

Mr Pandolfi's immaculately tidy office in the Commission's Berlaymont building is in strong contrast to the HDTV chaos over which he presides. He is quick to stress that his ability to influence events is limited. Even a European Commissioner does not have "princely powers", he says. And he has been hampered by the television regime he inherited when he joined the Commission in 1989.

That regime dates back to 1986, the year a meeting of the International Radio Consultative Committee (CCIR) in Dubrovnik discussed the possible acceptance of the Japanese HDTV system as the worldwide standard. By the time of the Dubrovnik meeting, the Japanese had already been working on HDTV for 15 years.

Muse, their HDTV system, produces a picture made up of 1,125 horizontal lines. The Europeans argued that this number was sufficient reason to prevent Muse becoming the world standard. European television sets have 625 horizontal lines. Japanese and US sets have 525 lines. As 1,125 is not a simple multiple of either 625 or 525, adoption of the Japanese standard would have required every television owner to buy a new set. The adoption of an international standard was postponed and European scientists and broadcasters intensified work on Mac.

Originally developed by engineers at Britain's Independent Broadcasting Authority, Mac offered European viewers a painless transition to HDTV. D2-Mac would offer clearer pictures not by increasing the number of horizontal lines but by sending colour and black and white signals separately. Europe's current television systems, Pal and Secam, send the black and white and colour signals together, which is why striped shirts and ties shimmer on screen.

D2-Mac would be followed by HD-Mac, which would have 1,250 lines – twice as many as conventional pictures. This would mean owners would not have to throw existing sets away. It would be possible for them to receive programmes, although they would have to trade up to a more expensive set to see the pictures in high definition.

In the same year as the Dubrovnik gathering, an EC directive attempted to give the European standard a boost

### 'Murdoch could raise 10,000 people to arms without their knowing whether Mac was a man or a horse'

by requiring all satellite broadcasters to use the Mac standard. The directive, however, applied only to television satellites. It did not encompass lower-powered telecommunications satellites. This loophole was to prove detrimental to Mac advocates.

When Mr Murdoch launched Sky Television in 1989 he used Astra, a telecommunications satellite, and decided to broadcast in Pal. Throughout Europe, some 2m viewers receive pictures from Sky and other broadcasters using Astra. Those companies using Pal are furiously resisting any attempt by the Commission to get them to change.

The 1986 directive expires at the end of the year and Mr Pandolfi is attempting to formulate a new one. "The problem for me is that the 1986 directive established a regime with a hole in it," he says.

Some in the broadcasting industry argue, however, that if the Mac standard had been enforced from the beginning, satellite television would have been severely hampered. Société Européenne des Satellites (SES), the Luxembourg group which owns Astra, says equipment manufacturers did not move quickly enough to produce the new technology. SES says it approached Philips in 1988 in the hope of buying Mac equipment but was told none was available.

Mr Pandolfi wants to ensure that the new directive takes account of the interests of all parties involved – satellite operators, broadcasters and equipment makers. "One can't have a final product which consists only of a set, or a programme, or a satellite signal. It's the combination of all three which allows one to have a product on the market," Mr Pandolfi says. A common broadcasting standard would enable television companies to produce D2-Mac programmes secure in the knowledge that broadcasters will transmit them and that consumers will have the sets and receiving equipment to watch them.

Mr Pandolfi proposed that the new directive should be accompanied by a memorandum of understanding, which would impose legally-binding obligations on all the parties. Equipment manufacturers would agree to produce specific amounts of D2-Mac receiving equipment. Satellite operators would specify how many transponders and satellites would be devoted to D2-Mac broadcasts.

The proposed directive attempted to reconcile the interests of the pro-D2-Mac equipment manufacturers and the sceptical broadcasters. It said existing satellite broadcasters could continue using Pal. All new services, however, would have to be in D2-Mac. The Commission would spend Ecu500m on subsidies for those existing broadcasters who agreed to transmit programmes simultaneously in Pal and D2-Mac.

The proposed directive and memorandum of understanding angered everyone. The French and Dutch wanted a date for the ending of Pal satellite transmissions. Satellite broadcasters objected to any attempt to impose D2-Mac on anyone.

The Verband Privater Rundfunk und Telekommunikation (VPRT), which represents German private broadcasters, wrote two sharp letters to Mr Pandolfi, protesting against the Commission's attempt "to intervene in the free play of the market by taking regulatory action without any compelling reason for doing so".

Mr Pandolfi had demanded that all parties agree to the memorandum of understanding before they left for their summer holidays. When it became clear that they would not do so, he changed tack. A Commission official sent a fax message to VPRT, suggesting that the organisation could sign the memorandum but postpone formal ratification. In the last week of July, Mr Pandolfi proposed that the broadcasting organisations simply put their names to an agreement in principle rather than to a binding memorandum.

The satellite broadcasters said the most they were prepared to accept was an agreement to use D2-Mac when transmitting programmes for the new, wider-screen sets. "The broadcasters agreed to do this for Philips and Thomson, but it doesn't seem to be enough for them," one broadcaster said.

The industry will get the chance to lobby members of the European Parliament about the proposed directive in mid-September, when it will be discussed by the parliament's economic and monetary committee, which also handles industrial affairs.

In theory, legislation could be on the table for discussion and adoption by the member states' telecommunications ministers at a meeting scheduled for the beginning of November. In practice, it may lie on the table for some time. Member states are not likely to rubber-stamp a new HDTV strategy unless they know that industry representatives have approved it. And the Netherlands – which holds the EC presidency until the end of the year – says it has to take a pragmatic view when deciding which legislation to push towards the top of a busy agenda. "This directive has been discussed over and over again and we don't feel like spending too much time on it unless there is a chance of success," says one Dutch official.

Against this background, the dogged cheerfulness of some Commission officials looks curious. "I prefer to be optimistic," said one adviser to Mr Jean Dondelinger, commissioner for audiovisual affairs, last week. "It's very difficult, but I think we will reach an agreement in the course of September or October."

There is a simple explanation for such buoyancy: failure would be severely embarrassing. To gauge the importance of HDTV to the Commission, one need only look at plans for the EC pavilions at next year's Expo '92 exhibition in Seville where European high-definition technology will be prominently displayed. The Seville exhibition will be opened officially next April. It is another deadline Mr Pandolfi and his colleagues could do without.

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# OBSERVER

## Jones the oil man

■ Mr Jones of Shrewsbury wants to be an oil and gas magnate. Not Mark Jones, but Mr Jones because that is how Natalya, his Russian wife, refers to him.

Mr Jones has moved a step nearer his goal with the grant of concessions to a couple of gas fields in the remote Yamal Peninsula on the northern edge of Siberia. But Mr Jones cannot be a magnate without the help of Mrs Jones.

The two are a partnership, although some speculate Mrs Jones is the dominant force in Orbicom, their Anglo-Soviet trading company. Mrs Jones, a countess but for the Bolsheviks, with a penchant for calf-length skirts and stiletto heels, looks after the Soviet end. Her daughter, Victoria, runs Orbicom's 30-strong office in Moscow. Mr Jones is the prime force stitching up complicated barter deals in the West.

Born traders they are not. Mr Jones was a writer on Soviet affairs, contributing to papers like the New Statesman. Mrs Jones was an official in the Soviet information ministry. Not surprising their paths should cross and that they should make a personal contribution to glasnost. Certainly, as political conditions have changed in the Soviet Union, their trading mission has been easier.

It all started three years ago when Mr and Mrs Jones were travelling in the Chelyabinsk area of the Tyumen region in south Siberia. A train carrying propane gas blew up. The Jones's helped the authorities look after the injured, not least by getting in touch with the British Embassy in Moscow to organise the arrival of doctors and medical equipment.

They have a vision of resource-rich Siberia as the Saudi Arabia of the 1990s. Not that the two have more than a nodding acquaintance with Siberian geology. But they do have a developing relationship with a growing number of Siberian officials. So first contracts for a reported £200m of medical equipment, then for a fleet of Rover police cars and now the Yamal concessions. Yesterday they were celebrating at the Edinburgh Festival.

## Rugby fans

■ Argentina's Hugo Porta, one of the world's greatest rugby goal kickers, played against South Africa in 1980, 1982, and 1984, despite a UN call to boycott such competitions in protest against apartheid. At the time he dismissed criticism by stressing that sport and politics should not mix.

Funny that now that Argentina and South Africa are resuming full diplomatic relations, after a five year interlude, the former captain of Argentina's national rugby team should be earmarked as the next ambassador to Pretoria. Are we now going to see Naas Botha shipped out to Buenos Aires, or is he not old enough yet?

## Tiny power

■ Lonrho has never been a company which runs with the herd. So it should not be surprising that when institutions are urging chief executives to share more of their powers, Lonrho's Tiny Rowland should increase his, by adding the title of deputy chairman to his current jobs of managing director and chief executive.

According to faithful Lonrho retainer Paul Spicer the decision to revive the position of deputy chairman should be seen as just another move to strengthen the board. However, in the past the job has been held by distinguished outsiders such as the late Sir George Bolton, a former chairman of the Bank of London and South America. By promoting himself, Rowland has once again passed up a chance to confound his critics by strengthening his non-executive team with a heavy-weight outsider.

Of course, the move could be a prelude to the 73-year-old Rowland eventually succeeding Sir Edward du Cann as chairman, and handing over his chief executive's baton to an able underling like Terry Robinson. However, that would do little to solve the longer-term question of who will eventually succeed Rowland.


"In return we could put our Hezbollah prisoners in Brixton gaol."

## Overboard

■ There was a time when a stint heading Standard Chartered's Hong Kong operations meant that a banker was assured of the top job back at head office. Bill Brown, the group's deputy chairman, and Sir Peter Graham before him, both made their names out there.

Hence, John MacKenzie can be forgiven for feeling a bit miffed that after 33 years with Standard Chartered he has been passed over for the group managing director's job by Malcolm Williamson – a UK retail banker who has only been with the group a couple of years.

The abrupt departure of the 50-year-old MacKenzie is not good news for Standard Chartered. The group has had plenty of time to plan the succession to Bill Brown, who retires shortly, but has failed to find a way of hanging on to one of its most experienced bankers. In more normal times this would not matter, but coming only days after a damaging run on the group's Hong Kong operations it is not the best of times to lose yet another Far East hand. Of the old Standard Chartered executive gang only Alan Orsich survives, and he has spent most of his career in the UK.

## Left-swing

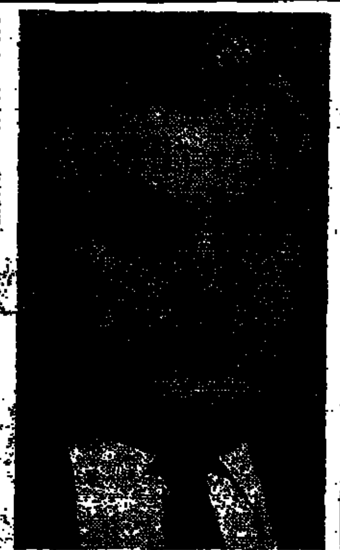
■ When it comes to discussing the communist party in Russia these days, it is more a case of party, what party? The speed with which communist top dogs are becoming pariahs, is breathtaking, especially now that Boris Yeltsin has banned political activities at work.

But if left-wing is out, left-hand is coming in. The International Society of Left-handers has written to its Soviet counterparts, asking them to assist in making today International Left-hander day. They want left-handed people to be "granted the freedom to use their left hand in handshaking, greetings or taking the oath."

Professor Anatoly Chuprikov of Lugansk Medical Institute, who has studied the problem for many years, has been contacted by the society. According to him, the percentage of Soviet left-handers is presently low, "but it is likely to rise sharply, to 12 or 15 per cent, in the near future."

The professor has no explanation, but could it be the party faithful trying to salvage something of what's left?


Burns: top mandarin


Lamont: overall responsibility


Budd: sympathetic ear

# Time for a change of cultural climate

## Peter Marsh examines the Treasury's recent record and asks what could be done to improve it

Professor Alan Budd is a man who loves a challenge. He will have plenty to tackle when he takes over as the Treasury's chief economic adviser next month and finds a department struggling to cope with Britain's current deep recession. Although he will only be one of a quartet of top officials in charge of economic policy, as an outsider he may come with fresh ideas about the way the department operates.

The Treasury's record over the past five years looks far from glowing. The ministers and officials who set economic policy have presided over one of the UK's biggest economic booms since the second world war – and the second-deepest recession.

Critics say the surge in economic activity in the mid-1980s led directly to the inflationary conditions which the high interest rates of the past two and a half years have dampened – but only at the cost of plunging Britain into a downturn which still shows few signs of ending.

Examination of the Treasury's recent record also throws up the more general issue of whether it suffers from specific management failings which may have led officials to ignore the economic warning signals – such as rising house prices – of the mid-1980s.

The difficulties of scrutinising the record are exacerbated by the closed way in which the Treasury operates. Interactions between its 3,000 civil servants and ministers are largely hidden from public view. Officials argue that secrecy is a necessary feature of internal debate, and that only when decisions are reached should the conclusions be made public. They add that the chancellor – currently Mr Norman Lamont – takes overall responsibility for policy decisions and should be awarded the praise or the blame for their effects.

But critics believe this style of operating stifles public debate and can lead to poor decisions. Mr David Smith, an economist at Williams de Broë, a City stockbroker, says Treasury officials have been guilty of "incredible intellectual idleness" in failing to examine all the economic factors which can bear on policy, particularly in the area of monitoring the UK money supply and its role in warning about inflation.

Sir Douglas Wass, permanent secretary at the Treasury between 1974 and 1983, argues that more public openness would keep the Treasury more closely in touch with the point of view of industrialists and private-sector economists, and thus lead to better judgments.

One view from Treasury officials is that if they were to publicise exactly what they were telling ministers, financial markets could become confused, leading to fluctuations in stock prices and in exchange rates. However, Sir Fred Atkinson, the Treasury's chief economic adviser in the late 1970s, says: "The markets might get excited at first, but eventually they would get used to the different climate," he says.

Prof Budd, an outgoing and unflappable personality, will be well-placed to influence the Treasury's culture once he leaves his current job as economic adviser at Barclays Bank. He will be one of three men – all second permanent secretaries – answering directly to the permanent secretary Sir Terence Burns, the Treasury's top mandarin. given The other two are Mr Nigel Wicks, a dour, hardworking former private secretary to Mrs Thatcher, who is responsible for international matters, and Mr Nick Monck, who had a spell in the Tanzanian ministry of agriculture, and who now supervises UK public spending.

Below this layer are six deputy secretaries responsible for various aspects of economic affairs such as monetary policy and public services. Of the top 10 Treasury officials, all except Prof Budd and Sir Terence, who both used to be economists at London Business School, are career civil servants with little work experience outside government.

All but Sir Terence and Mr Andrew Edwards, a deputy secretary, spent at least some of their academic career at Cambridge, and have mainly economics or classics backgrounds.

According to Sir John Harvey-Jones, former chairman of Imperial Chemical Industries, the general lack of experience of industry among top Treasury officials makes it harder for civil servants to engage in a dialogue with the business world. "The Treasury is less integrated into the effects of what it is doing than the equivalent ministries in other countries," he says.

There is no shortage of Treasury critics among other industrialists. Referring to the mid-1980s boom, Mr Stanley Kalms, chairman of Dixons, the electrical goods retailer, says he was able to spot signs of growth pressures well before the Treasury, simply by checking on the cash being taken by his shops. The chairman of a large Midlands-based engineering group puts it this way: "If the Treasury were a company, it would be coming under some pretty close questioning at the annual general meeting."

Professor Doug McWilliams, chief economic adviser at the Confederation of British Industry, thinks most Treasury officials are "extremely competent". But he believes the organisation has cultural flaws. "The top people have the attitude of a priesthood. They think you are wrong until you are proved right."

In defence of the department, Professor Patrick Minford, a leading monetarist economist at Liverpool University, says officials there did a "creditable job" in the mid-1980s. They managed to cope with the arguments between Mrs Thatcher and her then chancellor Mr Nigel Lawson about monetary policy and the decision on whether to enter the European exchange rate mechanism – which the UK eventually did last October. Prof Minford says the differences of opinion, which resulted in Mr Lawson's resignation in 1989, led to a "schism" in economic policymaking which inevitably damaged the officials' ability to judge accurately what was happening in the economy.

Even allowing for economic management being a highly imprecise discipline, there is no shortage of ideas on how to improve the Treasury's performance. Among them are:

- Strengthening the powers of the Bank of England, which at present advises the Treasury on monetary policy, with most details being confidential. If the Bank were allowed a more active role, a wider and more informed debate on economic policy might be expected.
- Engaging more outsiders to the top positions in the Treasury who have a business or industrial background, or at least encouraging more officials to seek secondments with outside organisations to give them wider experience.
- Setting up a team of outside economists which would produce official forecasts on behalf of the government. This would parallel some of the arrangements for setting economic policy in the US and Germany, and might improve the UK government's recent poor forecasting record.
- Abandoning the secretive ritual related to the annual Budget, and instead publishing "green papers" setting out fiscal proposals.
- Divorcing the functions of the Treasury's 80-strong team of economists from those of the policymaking and administrative arms of the department. This would encourage the economists to strengthen links with outside bodies.
- Still more radically, the job of the Treasury's economics group could be put out to public tender, with pay set according to performance in correctly monitoring economic patterns.

People associated with the Treasury have differing views about its recent record and the scope for improvement. Sir Geoffrey Howe, Conservative chancellor between 1979 and 1983, believes criticism of the department is a product of the UK economy's current poor spell, and will probably disappear once the upturn starts.

Mr Denis Healey, Labour chancellor in the 1970s, says the sense of disquiet over the Treasury's performance is justified. But he says the issue of ensuring that the Treasury is properly placed to draw lessons from what is happening in the country at large is part of Britain's wider problems, including its class divisions. Lord Croham, permanent secretary at the Treasury between 1968 and 1974, believes it should open up its internal policy discussions to more public debate.

Because there is a lack of contact with the outside world, he says, "it is extraordinary that so many politicians are so dim as to the consequences of what they are doing". Should the changes advocated by the Treasury's critics – at least some of which are likely to find a sympathetic ear in Prof Budd – come about, optimists might expect a steadier ride for the UK economy during the 1990s than in the 1980s.

## LOMBARD

# When the greedy dupe the gullible

### By Roger Matthews

Small, oil-producing, suddenly wealthy, recently independent countries attract predators, local and international. They come in many different guises, employ different techniques and have quantitatively different ambitions. But they all wish to share, more fully and by whatever means, in the good fortune of the country in which they live or have come to visit.

Sit for an evening in the Mallet Bar of the Sheraton Hotel in Bandar Seri Begawan, about the only place where alcohol can be consumed publicly in Brunei, and there is but one conversation among the guests, albeit in dozens of contexts: how best to help His Majesty Sultan Haji Hassanal Bolkiah spend more of the $25bn which according to the Guinness Book of Records makes him the richest man in the world.

Not much more than a year ago, a small group of people gathered in Baghdad, probably around bottles of Black Label whisky, and decided on rather more direct means of relieving Kuwait's ruling al-Sabah family of the even larger fortune it had accumulated over the past 20 years.

The latest example of the vulnerability of affluent men to the greed of others, to local expectations, and to their own shortcomings, is being revealed by the daily more extraordinary saga of the Bank of Credit and Commerce International which is 77 per cent owned by Sheikh Zayed bin Sultan al-Nahyan, the ruler of Abu Dhabi, and his family.

Abu Dhabi, the dominant component in the United Arab Emirates, sits in the midst of what has been the most troubled part of the world during the past decade. Two of the largest and potentially wealthiest oil producers in the Gulf, Iraq and Iran, have in that time suffered their separate if related disasters as a result of the distortions caused by the impact of relative affluence.

The smaller nations, while concerned by the turmoil on their doorsteps, have also been troubled by other factors. In these countries the main role of the ruler and his government has not been wealth creation, but wealth distribution. Few, if any, have begun to resolve the deeper problems of promoting a desire for non-official employment, private sector risk and even personal financial responsibility.

The total welfare state, linked to large-scale patronage and fuelled by the envy which becomes inevitable when individuals become colossally rich, helped in the case of Kuwait to create one of the most notorious stock market crashes in modern history. When the unofficial Souk al-Manakh exchange collapsed under the weight of $90bn of worthless post-dated cheques in 1982 no one at the most senior level should have been surprised.

The companies whose shares were being traded were mostly offshore, some had never published balance sheets and few seemed likely to earn profits. Yet the authorities did not intervene. When the crash came many speculators expected the state to bail them out and the mess had still not been completely sorted out when President Saddam Hussein invaded eight years later.

Ministers subsequently explained, in all seriousness, that they had not stepped in because so many people were making money and intervention would have been deeply unpopular. They were not in the business of denying citizens the chance to become richer. Perhaps that it is how some officials felt in Abu Dhabi, long after they had become aware that there were problems at BCCI.

While Kuwait's market crash was a self-inflicted catastrophe, the more remarkable because it happened in a country with a reputation for financial prudence, other countries have fallen victim to a variety of cruising sharks.

Brunei only became fully independent from Britain in 1983. The inexperience of its youthful ruler, and his obvious enjoyment in spending money, attracted people who within a few years had fraudulently emptied the coffers of the National Bank of Brunei. Meanwhile, the Sultan had been encouraged, presumably by intelligence organisations, to make contributions to the Contra rebels fighting the Nicaraguan government, and found his name linked with several other controversial financial dealings.

With the benefit of hindsight it is easy to see how the gullible can be duped. Small countries face heavy demands in staffing adequately all the functions of a modern state. The qualified people available for government responsibilities has to be spread thinly between international representation, domestic bureaucracy, the armed forces, and the private sector with particular reference to banking.

This potential weakness is compounded by a tendency to place trust in foreigners who are not always deserving of it. Most Gulf rulers have personal representatives and advisers, often expatriates, who conduct business on their behalf, ranging from the purchase of fine pictures at auction to the medical care to be provided for a distant relation. The arrangement can work well.

Equally there are times when it operates disastrously, and these are exacerbated by the absence of a local monitoring system and the hesitancy in some industrialised countries to take action which could upset wealthy clients.

This is particularly the case when the distinction between a ruler's personal fortune and that of the nation is imprecisely defined. The distinction becomes even more blurred when brothers or other close relatives hold government portfolios. So when there is mismanagement or fraud, the tendency is either for the matter to be dealt with behind closed doors or deferred in the hope that another way of resolving the problem can be found.

Ultimately the best recourse would be greater public accountability but that smacks of some degree of democracy. And for near absolute rulers there is little attraction in limiting their power of financial patronage, from which their authority springs.

# LETTERS

## New Zealand not denied favoured status

*From Mr Eugene J Milosh.*

Sir, S R Henderson errs in a recent letter by stating that the United States government removed "most-favoured-nation" status from his native New Zealand. The writer expresses indignation that the US seeks to grant most favoured nation to the Soviet Union while denying it to New Zealand. The fact is that New Zealand was never denied such status by the US. On the contrary, New Zealand enjoys a strong trading relationship with the US. In 1990, New Zealand's exports to the US reached over $1bn, exceeding the Soviet Union by over $159m. Also, the US remains the third-largest exporter to New Zealand.

The writer may have in mind the Anzus (Australia-New Zealand-US) Defence Treaty. New Zealand's participation in this defence agreement was interrupted in the mid-1980s. This interruption had absolutely no effect on trade between our two countries.

US importers and exporters have benefited from trade with New Zealand and are confident that such trade will remain strong and enjoy continued growth.

Eugene J Milosh,
*president,*
*American Association of Exporters and Importers,*
*11 West 42nd Street,*
*New York, NY*

## Three steps to realise gas privatisation gains

*From Prof Colin Robinson.*

Sir, It is understandable that British Gas should feel aggrieved about the bad press it has received ("A fair deal for gas consumers", July 30) and that consumers should use your columns to complain about the corporation's policies. But the main issue now is how to stimulate competition in the gas market quickly.

In 1986, it was politically convenient to leave British Gas with its monopoly and monopsony power intact. Substantial revenues were raised and voters were happy to receive discounted shares. In economic terms, however, the scheme was a disaster.

Five years later, little competition has appeared. The government's response has been to ask British Gas if it will please not behave like the monopoly it is and to hope that the Monopolies and Mergers Commission and Ofgas will, between them, stimulate the competition which the privatisation scheme failed to introduce. A particular problem is in power generation where competition is inhibited because the present gas market is incapable of providing gas supplies for potential entrants to generation at prices which would allow them to compete against National Power and PowerGen.

There is indeed something absurd about this painfully slow process of coaxing British Gas into accepting a degree of competition which could have been achieved in 1986 by a properly designed privatisation scheme. The regulator and the competition authorities have an uphill struggle against such a well-entrenched organisation which one can hardly blame for exercising the market power given it by government.

Three steps are needed if (belated) economic gains from gas privatisation are to emerge. First, the Department of Energy must stop running a central-planning style foreign trade regime which so regulates gas trade as to cut off the British gas market from the Continent. Second, there should be a separate British pipeline company so that potential entrants to gas supply have ready access to larger gas consumers at independently-determined tariffs. Third, the rest of British Gas should be broken up to provide genuine rivalry in supplying British gas consumers and to permit entry to the industry.

You report that the Office of Fair Trading is assessing the development of competition in the gas market. Let us hope someone in government is thinking of more radical solutions than have been applied in the last five years. It is time the coaxing ceased.

Colin Robinson,
*professor of economics,*
*University of Surrey,*
*Guildford, Surrey*

## Rising burden on private investors

*From Miss C A MacDonald.*

Sir, The question of using nominees for private clients ahead of Taurus has received much attention in the press recently.

What has not been mentioned so far is the charges imposed by brokers' nominee departments to withdraw or transfer out of their nominee service. A charge of £15 per stock to release each holding levied on top of annual fees and/or nominee holding charges seems to me to be excessive, particularly when I sent them appropriate transfers for each company which merely needed the brokers signature.

It seems clear to me that the drive by stockbrokers to encourage nominee accounts is really intended to "lock in" their client base as the costs of transfer are daunting for most portfolios.

Would you not agree that these charges represent yet another example of the rising burden now being placed on the private client investor?

C A MacDonald,
*Momples Hall,*
*Church Road,*
*Elmstead,*
*Colchester,*
*Essex*

**Fax service**

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

## CAP reform: employment threatened and small farms debunked

*From Mr Richard Butt.*

Sir, Your article on the House of Lords committee report on the European Commission's CAP reform proposals (Commodities and Agriculture, August 9) ends by quoting the committee's view that the option of providing adjustment aid would allow farmers "quite freely to diversify into non-agricultural activities, become part-timers or leave the industry altogether".

Whatever the nature of adjustment aid it is unlikely that diversification will sustain agricultural employment. From our research we consider it is inevitable that perhaps 100,000 jobs will be lost in UK farming over the next decade.

Generally speaking, the employment consequences of agricultural contraction will have to be dealt with by the creation of more jobs off the farm and off the land. We were glad to see that the House of Lords committee renewed its call for the EC to put increased emphasis on wider rural development measures to accompany CAP reform.

Without further action on rural employment, such as the new rural initiatives the RDC has recently proposed, the future of some communities heavily dependent on agriculture will be seriously at risk.

Richard Butt,
*chief executive,*
*Rural Development Commission,*
*11 Cowley Street, SW1*

*From C P Johnson.*

Sir, The House of Lords report clearly sets out why a headlong reform of the CAP at the expense of the well-structured agriculture of the UK would be flying in the face of reason. The enforced idling of competitive resources of land, people and modern equipment while small-scale enterprise is sustained at extra cost represents confused thinking. Mr Gummer's advocacy of sustained price pressures deserves more support from you than was evident in your leader ("Importance of farm reform") of July 12.

Lowered farm prices have already reduced inputs of chemicals and fertiliser (Farmers' Viewpoint, July 23) and consistent application will continue the process. To believe the policy conflicts with environmental aims is mistaken.

The report clearly debunks the idea that small farms are inherently more environmentally friendly. Alongside increased regulatory activity for food safety and pollution control in a crowded countryside the resources needed for compliance rule out a peasant approach. For the public to be certain of the production processes and treatment of its food a more businesslike agriculture than that proposed by Mr MacSharry is needed.

C P Johnson,
*chief executive,*
*Booker Countryside,*
*37-41 Bedford Row, WC1*

FINANCIAL TIMES
Tuesday August 13 1991



# Cleric who holds the reins of power

**Lara Marlowe** in Beirut reports on Sheikh Fadlallah, a key figure in the hostage issue

OVER the years, a pilgrimage to the home of Sheikh Mohammed Hussein Fadlallah in West Beirut's Bir el-Abed district has become an obligatory stop in the travels of wives, friends and relatives anxious to retrieve their loved ones from Lebanon's hostage-takers.

The sphinx-like, black-turbanned Shia Moslem cleric listened to each plea and invariably responded that, while he had the deepest sympathy for the victim's family, hostages did not fall within his purview. Although not always convinced of his sincerity, Sheikh Fadlallah's visitors came away impressed by the cleric's presence and intellect.

By the end of last week, Sheikh Fadlallah had dropped any pretence of not being involved in the hostage issue. He told a Friday prayer meeting that all western hostages would be released when Israel handed over hundreds of Shia Moslems and Palestinians abducted from south Lebanon. More than that, he demanded the immediate release of Mr Jérome Leyraud, the French aid worker kidnapped the previous day. Within 48 hours Mr Leyraud was free.

The US government had in the past been so impressed by Sheikh Fadlallah's leadership of Shia fundamentalists that it apparently attempted to assassinate him. As documented in the book Veil by Bob Woodward of the Washington Post, the American Central Intelligence Agency commissioned a Lebanese "counter-terrorist" squad funded by Saudi Arabia and headed by an ex-member of the British Special Air Service to plant 200kg of explosive in a car on the path between the Bir el-Abed mosque and Sheikh Fadlallah's home on March 8 1985.

The explosion killed more than 80 people and wounded another 250, but missed Sheikh Fadlallah, who had stopped to listen to an old woman's complaints on his way home from the prayer service. The following month, a reprisal bombing, for which Islamic Jihad claimed responsibility, killed 18 Spaniards in a Madrid restaurant used by US military personnel. The US Marine and French military bases and two US embassies had already been blown up, and several westerners kidnapped or murdered by fundamentalists in Beirut by the time of the Bir el-Abed bombing. But the abductions gained new momentum with the kidnapping of Mr Terry Anderson, the Associated Press Beirut bureau chief, eight days after the attempt on Sheikh Fadlallah's life.

The sheikh had been accused by CIA operatives in Beirut of having "blessed" the suicide bombers who attacked the US and French installations in Lebanon in October 1983. He always denied the charge.

"The idea of blessing someone is Christian, not Moslem," a Shia official in Beirut said. "Fadlallah knows how to communicate with the masses, how to indoctrinate people. The real fanatics tend to be 15 to 20 years old. They go and watch Fadlallah in the mosque every Friday. Fadlallah can persuade a youngster to commit suicide, but before he is sent on his "mission" he is treated very well, made to feel important, and his family is given money."

Irish diplomats met Sheikh Fadlallah several times in the weeks preceding the August 1990 liberation of Brian Keenan, the Irish hostage. British parliamentarians and the British ambassador to Lebanon have also sought the Shia cleric's assistance in achieving the release of British hostages.

On one occasion, a direct plea to Sheikh Fadlallah won the freedom of a hostage. When a Christian Iranian photographer employed by a French picture agency was kidnapped outside a West Beirut hotel during the May 1985 TWA hijacking, an executive from the agency read books on Shia theology, flew to Beirut and passed many days supping the Shia spiritual leader's wisdom.

After 60 days, the photographer was released on orders from the Iranian embassy in Beirut.

Sheikh Fadlallah is a *Sayyid*, a direct descendant of the prophet Mohammed's son-in-law Ali. His followers in Lebanon believe he is a holy man on a par with the most learned of Ayatollah Khomeini's successors, and that he should one day follow Grand Ayatollah Abdul Kassem al-Khoy as the spiritual leader and supreme judge of all Shia Moslems.

Imam Khoy lives in Najaf, the Shia holy city in Iraq, where Fadlallah's father, Abdel Raouf Fadlallah, a prominent Shia *Mujtahed* or learned religious leader from the southern Lebanese village of Ainata, was studying in 1936 when his son was born.

As a student in Najaf, Sheikh Fadlallah helped his professor, Mohammed Bakr Al-Sadr, to found the underground Dawa ("Call") fundamentalist party.

Sheikh Fadlallah brought the Dawa party to Lebanon when he finished his studies and moved to Beirut in 1966 at the age of 30. He married Noureddin Noureddin, the daughter of another Lebanese Islamic scholar, and they had 10 children. He established the Islamic Students' Union in Lebanon, and wrote some 40 books on Islamic law.

Condemnation of the "Maronite Establishment" has been a constant theme of the sheikh's teaching. He also believes that the Koran provides a system of government applicable to any society. He has even said he would like to see France, as well as Lebanon, become an Islamic republic.

"Fadlallah has helped the Iranians in Lebanon a lot," a Shia official said, "and he has benefited from their assistance. But he does not want to be the Iranians' man in Lebanon. He considers himself above that.

"In Fadlallah's mind, Dawa was founded long before the Iranian Revolution; he wants it to remain long after."

Sheikh Fadlallah: no longer pretends not to have influence with the hostages' captors

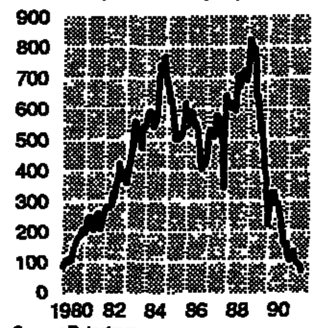
THE LEX COLUMN

# Auditors brought to book

FT-SE Index: 2,569.4 (-1.2)

**Ferranti**

Market capitalisation (£m)




Source: Datastream

Peat Marwick's £40m payment to Ferranti in settlement of the International Signal affair should strike a chill into the UK auditing community. The main issue seems to have been whether Ferranti had a claim over Peat as ISC's auditor for failing to spot the alleged fraud at the company before Ferranti took it over. This is precisely the ground covered in the Caparo/Fidelity case 18 months ago, in which it was ruled that auditors are not accountable to outsiders, only to the company itself. The situation is complicated by the fact that Peat was briefly auditor to ISC after the takeover as well. Either way, one imagines that BCCI's auditors, for example, will be scurrying to their law books.

That apart, yesterday's announcement again raises the question of what on earth is to be done with Ferranti. Its full-year figures strengthen the impression that the ISC affair was not so much the cause of Ferranti's downfall as the means of obscuring its true position.

The list of its troubles seems endless: the £18m operating loss before exceptionals, the halving of net worth in the space of 12 months, the breach of its banking covenants a year after a rescue rights issue, the fact that an operating subsidiary is so plagued by claims from customers that it has filed for Chapter 11.

The aim of the disposal programme is that Ferranti should shrink by about a third to a company with sales of £300m-£350m, of which 60 per cent would come from defence. Its present market value is £66m which, together with debt, would bring its purchase price to around £160m. Not even Lord Weinstock, it seems, is interested. When the company has finally been cleaned up and slimmed down, the shares could be worth more than their present 7p. There is simply no saying how long that process will take.

## BankAmerica

US bank shares raced ahead yesterday on BankAmerica's proposed acquisition of Security Pacific, but the credit rating agencies were less impressed. Their general reaction was to put BankAmerica on watch for possible downgrading, the implication being that it may have chosen the wrong partner.

Conventional wisdom now dictates that size is the key to banking success. Even supposing this is right, SecPac is scarcely in an expansionary mode. It has been reining in its international activities as problem loans have grown at home and abroad.

Yesterday's announcement foresees a \$1bn increase in combined loan-loss provisions and an accelerated work-out of problem assets. BankAmerica is already well stocked up with provisions, so the bulk of the new charge must relate to SecPac's book. That is enough to make one wonder how the smaller bank would have coped alone, but it may also distract from efforts to reap the rationalisation benefits of the merger. By the logic of the stock market, the deal is compelling. The combination of BankAmerica's retail franchise with SecPac's skills in wholesale and corporate banking should give the merged institution the muscle to expand nationally once the law permits.

Yet even supporters of the deal are agreed that the promised annual bonus of \$1bn cost savings is paramount. That makes the rationale more debatable. Bankers have never been good at cutting costs. It is curious that BankAmerica should need the incentive of acquiring a weak partner to initiate cost savings that will eventually allow it to acquire strong businesses in other parts of the country.

## BTR

BTR's stock market rating is justified by admirers on two counts: its sensitivity to UK industrial revival and the transformation in group strategy promised by the new chief executive. Investors worried that Mr Jackson has been doing too much talking and not enough acting of late will be relieved by yesterday's £110m disposal of Pretty Polly to Sara Lee. The deal looks an attractive one for both sides, is mildly earnings enhancing for BTR and is the surest sign yet that the much-heralded divestment programme is finally under way.

The big question, though, is where BTR goes from here. There will not have been much agonising about getting rid of Pretty Polly, unless on the grounds that it leaves even less scope for illustrating the annual report. But until Mr Jackson takes a swing at the construction or electrical distribution businesses, for instance, it is hard to tell just how focused the new BTR is likely to be.

It could be that the market has got carried away by the extent of the spring cleaning – rumours of a Dunlop Slazenger sale being almost certainly wide of the mark – and that BTR itself is anxious not to exaggerate its new status as asset broker. As with the next big acquisition move, it looks as though shareholders will have to be patient for a little longer.

## BT sale

It is almost as if the fuss over share shops for the forthcoming BT sale has been engineered by the government's advisers as a means of stimulating the public's waning interest in owning shares.

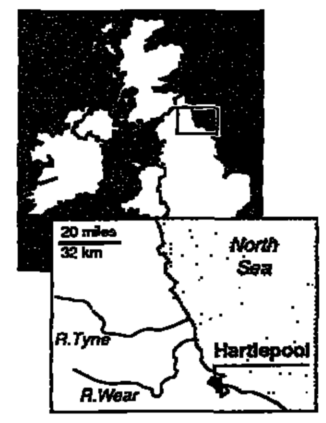
But the political debate is obscuring what looks like a real intent to allow a minority of well-off investors to buy more than a few hundred shares. The plan is to allow brokers to bid for stock on behalf of their private clients. This will doubtless be a competitive irritant to the institutions and may even increase the sale proceeds.

So much the better for the taxpayer. The problem is how this novel proposal sits with the wider objective of encouraging the mass of small investors not just to buy shares but then to hang on to them. Under allocation policies in privatisation issues to date, it has made sense for investors to sell their tiny holdings immediately.

With the advent of share shops, lower dealing commissions may only reinforce this trend. It is not clear what the government can do in the case of BT to change things; a miserly discount, for instance, would simply restrict retail demand overall. If small investors behave in their usual fashion, it requires a leap of faith to assume that they will then invest the proceeds in the likes of ICI.

# British port put up for sale as law paves way for privatisation

By **Richard Tomkins**, Transport Correspondent




THE port of Tees & Hartlepool in Cleveland, north-east England, is today being put up for sale with a price tag likely to exceed £120m (\$205m)

It is Britain's busiest non-oil cargo port after the Port of London and the first to take advantage of legislation passed at the end of last month paving the way for the privatisation of UK ports owned by self-governing trusts – the so-called trust ports.

The Tees & Hartlepool Port Authority, the trust owning the Cleveland port, is putting it on the market today through advertisements inviting would-be purchasers to submit their bids.

Prime contenders will be the port's own management and employees, who yesterday emphasised their determination to acquire the port through a buy-out backed by the City of London, the capital's financial district.

The UK ports industry is watching with interest to see what other bids are flushed out by the unprecedented public offer.

The profits potential of Britain's ports has been transformed in the last two years through the abolition of the Dock Labour Scheme, the statutory regulation of dock employment which incorporated restrictive working practices.

As a result, rumours are rampant that the one or more consortia have been assembled by parties interested in entering the industry by snapping up trust ports as they come on to the market.

Other potential bidders could include Associated British Ports, the UK's biggest ports group, and Hutchison Whampoa, the Hong Kong conglomerate which bought the port of Felixstowe in east England, June – although each has said it has no plans in the short term for further UK purchases.

The conditions of the privatisation agreed between the port authority and the government give an in-built advantage to the planned management/employee buy-out and are designed to eliminate asset-strippers. They express the "desirability" of a sale to managers and staff and require any purchaser to operate a "viable, competitive" port in ways "beneficial to the local economy."

The buy-out team will be heavily reliant on its ability to attract City of London backing and could face difficulties if there was competition from a bidder with greater resources.

At least two other trust ports – Tilbury, which forms part of the Port of London, and Medway in Kent, south-east England – are also believed to be aiming for privatisation through management buy-outs.

A failure of any of these attempts could dissuade others from following the same path.

# UK-Italian venture to build toll road

By **Andrew Taylor**, in London

A JOINT venture between Trafalgar House, the UK construction to hotels group and Italstat, Europe's biggest toll road operator, has won a 53-year concession to build Britain's first privately financed toll motorway.

Mr Christopher Chope, UK minister for roads, said the 30-mile Birmingham Northern Relief Road in central England would provide motorists with an alternative to the congested public motorway system to the north of Birmingham.

The joint venture, called Midland Expressway, was chosen by the Transport Department ahead of a consortium led by Cofiroute, a large French toll road operator supported by Manufacturers Hanover, the US bank.

The losing consortium included four British contractors: Robert M. Douglas, Alfred McAlpine, A. Monk and A.F. Budge; and three French contractors: Sogea, Jean Lefebvre and GTM International.

A bid by Tarmac, the British construction and building materials group and Transroute, another large French toll road operator, had previously been rejected by the department. The road, which will run between junctions 4 and 11 of the M6 motorway is expected to cost £260m (\$445m) – rising to £450m if finance charges are included.

Tolls are likely to be around £1.50 for a car and £3 for a lorry at 1991 prices, according to Trafalgar House.

More than three-quarters of the finance is expected to be provided by loan stock and debt from banks and other financial institutions. Funding is unlikely to start until planning procedures have been completed. This could take several years if a public inquiry is needed. The road, expected to carry 50,000 vehicles a day, is due to be completed by 1997.

Tolls will be paid manually or automatically deducted from bank accounts through the use of prepaid smart cards, similar to phone cards. There will also be the option to install automatic vehicle identification equipment to dashboards so motorists will not have to stop, according to Italstat which operates similar systems in Italy where it manages more than 3,000km of toll roads.

Background, Page 6

# EC considers convening conference on Yugoslavia

By **David Gardner** in Brussels and **Judy Dempsey** in London

THE European Community may convene an international conference on Yugoslavia's future if efforts by the country's federal authorities fail to get negotiations started between all parties in the crisis.

Moves towards convening such a conference coincided with a call by Mr Slobodan Milosevic, the president of Serbia, for a new constitution which would formally lead to a Yugoslavia dominated by the Serbs.

Over the past two months since the republics of Croatia and Slovenia declared their independence on June 25, the country has been sliding into civil war. More than 300 people have died in clashes between Serbs and Croats and between the federal army and Slovenes.

The new constitution would create a smaller Yugoslavia. Slovenia would in all likelihood be excluded from this new political structure. It is unclear what role Croatia would play, however some accommodation would have to be reached for the 600,000 ethnic Serbs in the republic.

Mr Milosevic yesterday held talks with leaders from the republic of Montenegro, Serbia's staunch supporter, and from some of the political parties from the central Yugoslav republic of Bosnia-Hercegovina, whose leadership has not supported his plans.

Mr Alija Izetbegovic, the president of Bosnia-Hercegovina, did not attend the talks. He said the future of Yugoslavia must be decided by all the country's six republics.

The EC's attempts to find a solution to the Yugoslav crisis follow last weekend's Conference on Security and Co-operation in Europe (CSCE) meeting in Prague, where the Yugoslav central authorities undertook to begin negotiations between all the feuding parties no later than August 15.

Mr Hans Van Den Broek, foreign minister of the Netherlands which currently holds the EC presidency, said yesterday in Brussels it was his "impression that if the [Yugoslav] state presidency is unsuccessful in the next few days in convening negotiations between all the parties, it is perfectly possible that the Twelve will be called upon to convene an international conference on Yugoslavia's future."

He did not go into details about any timetable.

Mr Van Den Broek, reporting to an emergency meeting of the political affairs committee of the European Parliament on the EC's four mediation missions to Yugoslavia since June, gave the impression that the chances of a peace conference under EC auspices was now more likely.

He said that Europe as a whole must strive for "a model and paradigm" to settle national problems, and to "ensure that separatism is not the way ahead," warning that the Yugoslav example could spread like wildfire throughout central Europe.

In reply to repeated calls by German MEPs that the EC should recognise Slovenia and Croatia – sparked off with some historical irony by Count Otto Habsburg – Mr Van Den Broek insisted that recognition "is not on the table."

War fever spurned, Page 2

## WORLDWIDE WEATHER

| | | °C | °F |
|---|---|---|---|
| Ajaccio | F | 27 | 81 |
| Algiers | F | 26 | 82 |
| Amsterdam | S | 19 | 66 |
| Athens | S | 35 | 95 |
| Bahrain | S | 35 | 95 |
| Bangkok | F | 32 | 90 |
| Barcelona | F | 27 | 81 |
| Beirut | F | 28 | 82 |
| Belfast | F | 15 | 59 |
| Belgrade | S | 29 | 84 |
| Berlin | F | 22 | 72 |
| Biarritz | S | 24 | 75 |
| Bombay | F | 30 | 86 |
| Bordeaux | F | 30 | 86 |
| Boulogne | F | 21 | 70 |
| Brussels | F | 21 | 70 |
| Budapest | T | 21 | 70 |
| Buenos Aires | C | 10 | 50 |
| Cairo | S | 35 | 95 |
| Cape Town | S | 23 | 73 |
| Caracas | C | 27 | 81 |
| Casablanca | S | 26 | 79 |
| Chicago | S | 16 | 61 |
| Cologne | F | 21 | 70 |
| Copenhagen | F | 19 | 66 |
| Corfu | S | 34 | 93 |
| Dallas | T | 23 | 73 |
| Dublin | C | 15 | 59 |
| Dubrovnik | S | 30 | 86 |
| Edinburgh | F | 17 | 63 |
| Faro | S | 32 | 90 |
| Florence | F | 31 | 88 |
| Frankfurt | F | 23 | 73 |
| Geneva | T | 28 | 82 |
| Gibraltar | F | 26 | 79 |
| Glasgow | C | 16 | 61 |
| Helsinki | C | 15 | 59 |
| Hong Kong | C | 26 | 79 |
| Innsbruck | F | 27 | 81 |
| Inverness | C | 16 | 61 |
| Islamabad | F | 33 | 91 |
| Istanbul | S | 30 | 86 |
| Jakarta | F | 33 | 91 |
| Jersey | C | 20 | 68 |
| Johannesburg | S | 14 | 57 |
| Lima | C | 17 | 63 |
| Lisbon | S | 32 | 90 |
| London | F | 22 | 72 |
| Los Angeles | F | 20 | 68 |
| Luxembourg | C | 20 | 68 |
| Madeira | S | 25 | 77 |
| Madrid | S | 30 | 86 |
| Majorca | F | 25 | 77 |
| Malaga | S | 26 | 79 |
| Malta | S | 31 | 88 |
| Manchester | C | 16 | 61 |
| Manila | R | 29 | 84 |
| Melbourne | S | 15 | 59 |
| Mexico City | C | 25 | 77 |
| Miami | S | 28 | 82 |
| Milan | S | 29 | 84 |
| Montreal | S | 18 | 64 |
| Moscow | C | 18 | 64 |
| Munich | S | 25 | 77 |
| Nairobi | C | 21 | 70 |
| Naples | S | 30 | 86 |
| Nassau | F | 32 | 90 |
| New Delhi | | - | - |
| New York | S | 22 | 72 |
| Nice | F | 26 | 79 |
| Nicosia | S | 33 | 91 |
| Oporto | S | 30 | 86 |
| Oslo | F | 19 | 66 |
| Paris | C | 20 | 68 |
| Peking | C | 32 | 90 |
| Prague | R | 17 | 63 |
| Reykjavik | R | 12 | 54 |
| Rhodes | S | 33 | 91 |
| Rio de Janeiro | C | 30 | 86 |
| Rome | S | 29 | 84 |
| Salzburg | T | 22 | 72 |
| San Francisco | S | 14 | 57 |
| Seoul | F | 31 | 88 |
| Singapore | F | 32 | 90 |
| Stockholm | F | 16 | 61 |
| Strasbourg | F | 28 | 82 |
| Sydney | S | 16 | 61 |
| Taipei | C | 31 | 88 |
| Tangier | S | 30 | 86 |
| Tel Aviv | S | 30 | 86 |
| Tenerife | S | 25 | 77 |
| Tokyo | F | 30 | 86 |
| Toronto | S | 20 | 68 |
| Tunis | F | 36 | 97 |
| Valencia | S | 29 | 84 |
| Venice | S | 31 | 88 |
| Vienna | S | 29 | 84 |
| Warsaw | F | 21 | 70 |
| Washington | F | 23 | 73 |
| Zurich | S | 25 | 77 |

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
# COMPANIES & MARKETS
Tuesday August 13 1991





## INSIDE

### Liberty share price jumps by 17%

Shares in Liberty, the British fashion retailer and textile maker, surged yesterday. Market rumours that Ryohin Keikaku, a Japanese retailer which recently opened a joint venture shop with Liberty in London, were discounted by the UK group. Liberty shares rose 17 per cent, or 90p, on the day to 605p ($3.57). Page 19

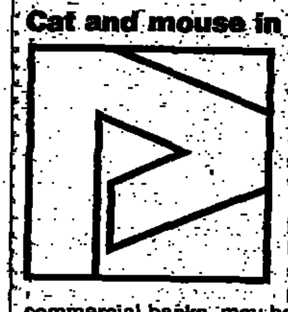
### LVMH sales rise 3.8%

Strong exports of cognac and other spirits to the Far East helped push first-half consolidated sales of LVMH, the French luxury goods maker, up 3.8 per cent. Page 16

### Siemens in talks with VDO

Siemens, the German electrical and electronic group, in talks with VDO Adolf Schindling, the German-based world market leader in automobile instruments. It is unclear whether the talks focus on the purchase of a stake or formation of a joint venture. Page 16

### Cat and mouse in Spain

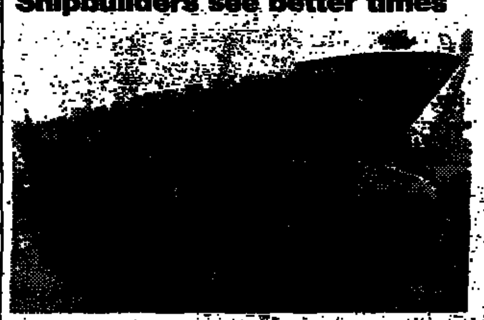


Spanish bank mergers have developed into a cat and mouse game, with the general public and shareholders alike frequently unsure of the intentions of the banks' boards. Now Banco Popular, the smallest and most profitable of the big commercial banks, may be prepared to surrender its much prized and vigorously defended independence. *Peter Bruce reports on the prospects of another Spanish merger.* Page 16

### Hopes for bumper jute crop

Indian Government officials are now hopeful that the 1991-92 jute harvest will at least equal last season's bumper crop of 9m bales. Page 29

### Shipbuilders see better times



South Korean shipbuilders, buoyed by an upturn in international demand, are expected to return to profit this year after a protracted period of losses, according to company officials and industry analysts. Page 16

### The shape of things to come

Progress towards a single European currency is anything but smooth – but it has been fast enough to make securities firms wonder what the capital markets will look like when the process is complete. *Simon London looks at the reasons behind analysts' recommendations that investors should buy high-yielding European bonds now.* Page 17

### Japanese M&A changes shape

Japanese merger and acquisition activity is changing shape. After years of intense international takeover, the value of domestic M&A jumped 30 per cent in the first six months of this year. Page 17

### SD-Scicon cliffhanger

The bid battle for control of SD-Scicon, the UK computing services company, may be a cliffhanger to the bitter end, with leading institutions undecided whether they will accept the EDS offer. Page 19

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | **Rises** | | | |
| Beiersdorf | 770 | + | 10 | Cofigi | 320 | + | 10 |
| Goldschmidt | 693 | + | 7 | Skis Rosig | 694 | + | 10 |
| Schmal Lub | 548 | + | 11 | **Falls** | | | |
| **Falls** | | | | Geophysique | 730 | – | 19 |
| Badenwerk | 252 | – | 8 | L'oreal | 587 | – | 11 |
| Draegerwerk | 359.5 | – | 6.5 | UAP | 523 | – | 11 |
| Munch (Reg) | 2430 | – | 40 | Valeo | 508 | – | 10 |
| **NEW YORK ($)** | | | | **TOKYO (Yen)** | | | |
| **Rises** | | | | **Rises** | | | |
| BankAmerica | 38 | + | ⅝ | Isuzu Glass | 700 | + | 30 |
| Barnett Bk | 33⅝ | + | 1⅞ | T'moto Mach. | 1080 | + | 50 |
| First Int | 32¾ | + | 5 | **Falls** | | | |
| Sec Pacific | 31⅜ | + | 8⅜ | Chiyoda | 1740 | – | 160 |
| Wells Fargo | 74¼ | + | 2 | Kinsho-Mat. | 570 | – | 70 |
| **Falls** | | | | Ohkura Ele. | 1040 | – | 90 |
| AMR | 62¼ | – | ⅜ | Tokico | 509 | – | 46 |

New York prices at 12.30pm

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | Mowlem (J.) | 239 | + | 11 |
| AIM | 137 | + | 8 | Tex Hldgs. | 42 | + | 5 |
| Airtours | 596 | + | 14 | **Falls** | | | |
| Bennett & Fountain | 27½ | + | 2 | Albrighton | 30 | – | 4 |
| | | | | Cakebread A | 41 | – | 4 |
| Electronic Data | 239 | + | 24 | Kwik Save | 581 | – | 11 |
| Intl. Comms. | 18 | + | 2½ | Laing (J.) | 237 | – | 13 |
| Liberty N/V | 605 | + | 90 | | | | |

# Delta improves offer to Pan Am

**By Nikki Tait in New York**

PAN AM, the financially-strapped US airline, yesterday moved closer to gaining bankruptcy court approval for its proposed asset-sale to Delta Air Lines after the buyer sharply improved its offer to meet Pan Am creditors' objections.

Pan Am lawyers told the court yesterday that the revised agreement had been reached early on Monday.

Under the new deal, Delta would pay $416m in cash for Pan Am's East Coast Shuttle and its remaining European routes and would invest $305m in a re-organised Pan Am.

This latter business would basically operate Pan Am's Latin American-Caribbean routes from a Miama base.

The investment in the re-organised company – which gives Delta a large minority stake in the business but leaves at least 55 per cent with Pan Am's creditors – would comprise $205m for the purchase of equity and 10 per cent senior notes and $100m of working capital.

Delta would also assume up to $150m of ticket liabilities and provide $80m of debtor-in-possession (DIP) financing (interim financing ranking at the front of the creditors'queue).

The offer safeguards 6,900 jobs at the re-organised Pan Am and 6,600 at the Delta-purchased assets.

About $106m of the asset-sale money would go to Airbus and United Technologies, sizeable creditors of Pan Am.

In addition, Delta will fund up to $100m of any operating losses in excess of the first $140m made by Pan Am between the date of the court's approval and December 1.

The success of the deal seemed assured after Pan Am lawyers announced the backing of major creditors – including the Pension Benefit Guaranty Corporation, Pratt & Whitney, Airbus and Midlantic Bank.

The lawyers acknowledged that the agreement of some creditors had not yet been secured.

However, adding to the deal's chances was the lack of response when Judge Cornelius Blackshear asked the court whether anyone had a higher offer. Only North West Airlines repeated its willingness to buy a couple of routes from Pan Am.

Shortly afterwards, Mr George Stubbs, a lawyer, caused a stir in the courtroom when he claimed to have an offer 13 per cent better than Delta's.

However, Mr Stubbs told the court he did not have any money on hand and the judge said that, as a result, he would only be contacted if the Delta deal fell through.

SECURITY PACIFIC

Robert H Smith
chairman

| SECURITY PACIFIC | | BANKAMERICA |
|---|---|---|
| $80.4bn | Total assets | $113.2bn |
| $4.4bn | Shareholders' Common Equity | $6.3bn |
| 5.47% | Equity to assets Ratio | 5.53% |
| 4.8% | Tier 1 Capital Ratio | 6.0% |
| $32.40 | Book value per share | $29.04 |
| 126m | Shares outstanding | 215m |
| $2.9bn | Market Capitalisation (9.8.91) | $8.1bn |
| 38,000 | Number of employees | 54,000 |

Research: Rivka Nachoma

BANK AMERICA

Richard Rosenberg
chairman

# West Coast couple to face the nation

**Martin Dickson** reports on the plans to merge California's BankAmerica and Security Pacific,

BANKAMERICA, the largest bank on the US west coast and one of the financially strongest in the nation, has never made any secret of its determination to play a central role in the immense consolidation wave sweeping through the US banking industry.

"I believe we are going to see national banking in the US by the end of the decade, probably within the next five years," said Mr Richard Rosenberg, chairman, earlier this summer. "I want to be able to take advantage of what is coming."

While the bank's great ambitions have long been obvious, the strategic leap it made yesterday took the industry by surprise: instead of a large acquisition outside its core western heartland, it plans to combine with troubled Security Pacific, its biggest Californian rival, in the largest US bank merger ever.

Wall Street had been anticipating a large merger in the Californian market, which would allow the banks involved to improve profits by eliminating duplicated branches and jobs. The expectation was that a merger would most likely involve Security Pacific and Wells Fargo, the state's third largest institution, which admitted at the start of the year to periodic merger discussions.

However, a BankAmerica bid for Security Pacific now seems to have some powerful logic behind it, while not being entirely risk-free. All the large US bank mergers now taking place are driven by the fact that the US is overbanked – there are too many institutions relative to demand – and mergers allow cost savings. Those savings will be even greater if Congress goes ahead with legislation to scrap the bar on full banking across state lines.

The two California banks claimed yesterday that they could save $1bn in annual expenses over three years, but added that they would probably need reserves of $700m for restructuring costs to integrate facilities, workforces and systems. The deal seems certain to involve very large redundancies and branch closures.

The deal also fits in with a long-held BankAmerica ambition – to be the pre-eminent bank across the western US. To this end it has been snapping up medium-sized institutions throughout the region over the past two years, many of them insolvent savings and loans bought with Federal government assistance.

A merger with Security Pacific would advance this goal substantially. The combined group would have banks in 10 western states – it would be the largest bank in California and Washington and would rank among the top three in Arizona, Nevada, New Mexico and Oregon, as well as having operations in Texas, Utah, Idaho and Alaska. Its dominance in California might prompt anti-trust questions, but Wall Street analysts argued yesterday that any such problems should be manageable, provided the bank was prepared to dispose of some assets.

In merging with Security Pacific, BankAmerica is taking on an institution which has been plagued with difficulties over the past two years. During the 1980s, the bank diversified from its Californian retail base on to the international stage and into securities dealing and investment banking. The strategy included the purchase of Hoare Govett, the London stockbroker.

At the end of last year, hit by large loan losses (particularly in British real estate) and soaring overheads, it did a sharp about-turn, withdrawing from Europe and Australia to its core business of consumer and corporate lending in the western US and in Asia. Over the past few months it has also been hit by a deterioration in the Californian property market.

Security Pacific, faced with a long haul on its own to get back to its traditional earnings and capital strengths, has therefore been a prime candidate for marriage. In BankAmerica it has found a particularly strong partner – and one which just five years ago was the laughing stock of the US industry and came close to collapse.

Between 1985 and 1987 BankAmerica lost $1.8bn, mainly because of bad loans to real estate, agriculture and energy, and bloated expenses. But under the leadership of Mr Tom Clausen, then chairman, it staged an extraordinary recovery by selling off many overseas assets and concentrating on its core Californian retail market. Mr Rosenberg, who led the Californian revival, gained a reputation for innovative marketing techniques.

By the end of June 1991, the bank's common equity was 5.53 per cent of its $113.2bn in assets, one of the highest ratios among the largest US banks, and its exposure to the troubled real estate and leveraged corporate loan markets was lower than many of its rivals. Ironically, its very weakness in the mid-1980s enabled it to avoid the problem loans amassed by its rivals and laid the foundation for its current success.

One of the main worries of yesterday's deal is the quality of the Security Pacific loan portfolio. However, the two banks stressed that they would be developing a plan to speed up solutions to problem assets, and this was likely to mean a $1bn addition to their combined loan loss reserve when the deal went through.

The merger plan raises three other questions. First, what will be the response of the two other large California banks – First Interstate and Wells Fargo ? The deal is a strong threat to First Interstate's position in southern California and could push it towards a merger with Wells Fargo, which is secure in the north of the state.

Second, will the merger exert pressure on Citicorp, the largest US bank with assets of $217bn, to enter the marriage market? Citicorp, which is in the middle of a large management restructuring, has ruled itself out of the merger wave, but a combined BankAmerica and Security Pacific, with assets of $190bn, will be breathing down its neck.

The third, and longer-term, question is where BankAmerica might strike next. The Security Pacific merger will take a considerable time to settle down, but unless it causes severe difficulties, the deal should make the combined group an even more powerful contender on the national stage in a few years' time.

BankAmerica made an unsuccessful attempt earlier this year to establish a foothold on the eastern seaboard with a bid for the failed Bank of New England. Those ambitions have not evaporated and the bank may yet live up to its grandiose name.

# Sara Lee buys BTR division for £117m

**By Andrew Bolger and Alice Rawsthorn in London**

BTR, the UK industrial conglomerate, has sold its Pretty Polly hosiery business to Sara Lee, the Chicago-based consumer products group, in a deal worth £117.5m ($199.5m).

The disposal is the first significant strategic move by BTR since Mr Alan Jackson, its new chief executive, signalled in March that the group would become a more active broker of assets.

Mr Jackson said the disposal was the first of three to four divestments which could occur, in line with his policy of focusing BTR on global businesses. However, he would not be drawn on his eagerly awaited plans for a large acquisition. He said: "We must wait for the right opportunity to present itself."

BTR will receive £110m in cash and Sara Lee will assume £7.5m of debt. BTR will use the proceeds to reduce group gearing to just under 40 per cent.

For Sara Lee the acquisition of Pretty Polly represents an opportunity to add one of the UK's most successful hosiery manufacturers to its fast-expanding European interests. Pretty Polly last year made pre-tax profits of £10.4m, and has net assets of £20.4m.

Sara Lee, already a powerful force in the US hosiery industry, began its European diversification in 1988 by buying Dim, one of the largest French hosiery companies. It has since invested in Fred Vatter of Germany and Elbeo of the UK.

Pretty Polly is a leading player in the UK market for tights and stockings, with more than 1,900 employees at factories in Nottingham and Killarney in Ireland.

During the past eight years of ownership by BTR, Pretty Polly invested heavily in new technology and marketing to strengthen its market position.

Although Pretty Polly is best known as a mass-market manufacturer, it has also established value-added niches through aggressive product development initiatives such as the introduction of its successful Nylons brand.

The Pretty Polly deal turns Sara Lee into one of the most powerful forces in European hosiery alongside Golden Lady of Italy and Courtaulds of the UK.

The European hosiery market enjoyed healthy growth in the 1980s, fuelled by strong gains in Spain and Italy where sales almost doubled. However the rate of growth has slowed in the past year or so.

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# Pearson first-half profits plunge 58% to £40.7m

**By Raymond Snoddy in London**

PEARSON, the UK publishing, banking and industrial group, yesterday announced worse-than-expected pre-tax profits of £40.7m ($68.8m) for the first half of 1991 – a drop of 58 per cent on the same period last year.

Lord Blakenham, chairman and chief executive, blamed the depth of the recession and the effects of the Gulf war for profits that were "disappointingly small when compared with the first half of last year". The profits of all divisions, apart from oil services, were down.

The fall in pre-tax profit from £97.9m in the first six months in 1990 was matched by a 59 per cent drop in earnings per share from 24.8p to 10.2p. The dividend is unchanged at 10.75p. Total sales at £700.4m were slightly down on last year's £710.9m.

"Overall we are disappointed but we are not downhearted. All our businesses have maintained or improved their market shares," said Lord Blakenham.

Pearson said yesterday that total job reduction for 1991 was 1,033, including 192 at Longman, the publisher, 362 at Westminster Press, the regional newspaper group, and 370 at Royal Doulton bone china.

An additional 350 job losses are expected under the company's longer-term cost-cutting programme.

**PEARSON – half-year trading profit by division (£m)**

| | end-June 1991 | end-June 1990 |
|---|---|---|
| Newspapers and magazines | 13.8 | 31.2 |
| Book publishing | (13.4) | 2.1 |
| Entertainment | 0.1 | 7.4 |
| Elsevier | 5.1 | 17.0 |
| Information & entertainment | 5.6 | 57.7 |
| Oil services | 16.6 | 15.1 |
| Investment banking | 12.9 | 20.8 |
| Fine china | 5.4 | 8.1 |
| Other interests less expenses | 10.8 | 10.6 |
| Total | 51.3 | 112.3 |

Newspapers were particularly badly hit by the advertising recession and trading profits for the division fell from £31.2m to £13.8m. Profits at the Financial Times dropped from £14.6m to £5.6m.

Turnover for the information and entertainment division fell from £477.7m to £455.3m but profits fell from £57.7m to £5.6m. "Clearly we are not proud of these results. It has been a very difficult six months," said Mr Frank Barlow, Pearson managing director.

The 22.2 per cent Elsevier stake was sold in March for £313m, and was the main contribution to extraordinary profits of £242.6m.

Net debt fell from £405m to £264m and the debt/equity ratio dropped from 57 per cent to 28 per cent.

Pearson said yesterday that it expected its second half to be roughly in line with last year's £128.4m, when the effects of recession were already being felt. Mr Eric de Belaigue, publishing analyst at stockbrokers Panmure Gordon, is forecasting £168m for the full year compared with £226.3m in 1990.

Books fell from a trading profit of £2.1m to a loss of £13.4m, with Longman breaking even and Penguin losing £8m.

The attributable profit from investment banking declined from £20.8m to £12.9m while fine china sales were £90m compared with £92.1m and trading profits fell from £8.1m to £5.4m.

Oil services, however, had trading profits of £16.6m compared with £15.1m on revenues up from £141.1m to £155.1m.

The Pearson share price in London fell 12p to 750p.

## INTERNATIONAL COMPANIES AND FINANCE

# Norsk Data in agreements with Wang and IBM

By **Karen Fossli** in Oslo and **Alan Cane** in London

NORSK DATA, the Norwegian computer manufacturer, has signed distribution agreements with International Business Machines (IBM), the world's largest computer manufacturer, and with Apple Computer, the personal computer maker.

The moves are a further step to securing Norsk Data's future in the computer industry. In 1990 Norsk Data plunged into a pre-tax loss of NKr129m ($1.9m) and is struggling to meet sales targets in some of its major markets. The company is due to announce its first half-year results on *September 11*.

ND DataShop, a fully-owned subsidiary of the computer manufacturer with responsibility for sales, distribution and logistics, has signed a one-year agreement with IBM to sell IBM personal computers in Norway. It has also signed a letter of intent to sell Apple Computer Inc's products domestically.

ND DataShop was established in 1989 and in 1990 had a turnover NKr340m with operat*ing profits of NKr38.5m. The* three companies refused to give further details of the agreements except to say their competitiveness would be strengthened by co-operation.

Although the agreements only cover Norway at present, talks are underway to expand them to embrace all of Scandinavia.

IBM has around 20 per cent of the Norwegian personal-computer market and Apple Computer has about 6 per cent.

The agreements reflect changes in the global computer business caused by intense competition, the falling cost of computer hardware and customers' demands for "open" or standard computer systems.

Every computer manufacturer has been affected but Norsk Data, along with Nixdorf of Germany, and Wang and Data General of the US have been the most spectacular victims of a failure to appreciate the importance of personal computers and open systems *fast enough*.

Wang recently concluded a deal with IBM involving the distribution of IBM hardware which has similarities to the Norsk Data agreement.

IBM's interest in selling its personal computers through other manufacturers is to gain and maintain market share.

Mr Arild Aspaas, president of ND DataShop, said his company had experienced a 25 per cent growth in the volume of Norwegian personal-computer *sales in the first six months* this year. He estimated that the total annual sales volume for personal-computer products in Norway to be around NKr6bn.

There are worries, however, that with one personal computer for every four Norwegian white-collar workers already, the market may be close to saturation.

# LVMH sales advance 3.8%

COGNAC and spirit exports to the Far East were the driving force behind a 3.8 per cent increase in first-half consolidated sales reported yesterday by Moët Hennessy Louis Vuitton (LVMH), the French luxury goods maker, writes Alison Maitland in Paris. Sales overall reached FFr9.3bn (US$1.58bn), while cognac and spirits sales rose 14.6 per cent to FFr2.8bn.

"The strong sales increase in the cognac and spirits segment reflects sustained sales in Far Eastern markets – and especially in Japan – as well as higher selling prices and increased demand for older-quality cognacs," the company said. Sales in the perfumes and beauty products sector fell 5.4 per cent to FFr2.1bn.

However, the company said sales had recovered in the second quarter, and that the rise of 11 per cent in consolidated group sales between April and the end of June confirmed prospects for an increase in net income this year.

# Spanish banking bulls huff and puff over mergers

**Peter Bruce** examines the position and progress of the leading players as they reshape the industry

Nothing a Spanish businessman says can ever be taken down and used against him. This is especially useful to the leaders of the country's big banks who, since banking mergers first began at the end of 1987, have almost all made determined statements of principle against mergers, only to change their minds laterwithout embarrassment.

Mr Jose Maria Amusategui, president of Banco Hispano Americano, denounced mergers just a week before merging with Banco Central in April. Mr Mario Conde, president of Banesto, which he once tried to merge with Central, now says he does not need to merge, though he does not rule a merger out. Mr Emilio Botin, president of Banco Santander but more visible as Seve Bal*lesteros's father-in-law, has a* war chest big enough to buy Banesto but says he is not interested. But Santander approached Hispano just before it fell into the arms of Central.

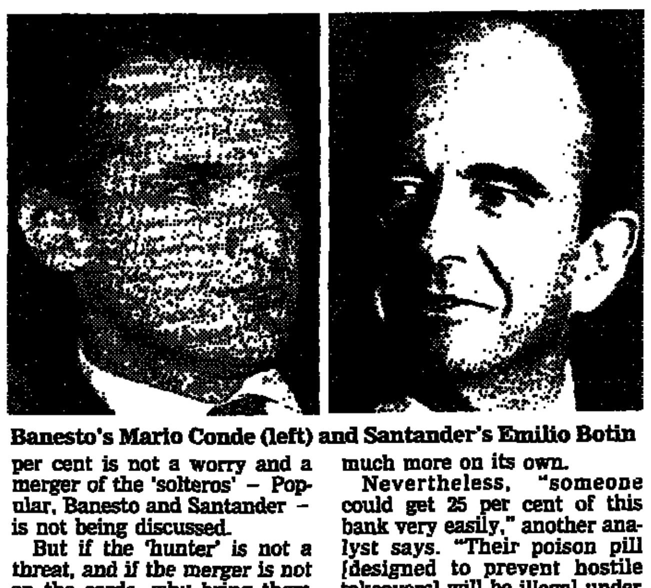
It was the turn last week of the least likely of all the big bankers, Mr Luis Valls of Banco Popular. "The merger of (Bancos) Santander, Banesto and Popular makes sense," said the lead story in Expansion, the business daily, quot*ing Mr Valls. Popular is the* smallest, most conservative and most profitable of the big commercial banks and Mr Valls and his brother and co-president, Javier, have been insisting for years that they intend to remain independent.

Popular was left out of the reckoning that followed the merger of Banco de Bilbao and Banco de Vizcaya in 1988 and, this spring, of Hispano and Central and the government's announcement that it would be merging all its financial institutions into the Corporacion *Bancaria de España. It has* been assumed the Valls brothers would not be interested. More than 40 per cent of the bank is owned by a board hand-picked by the pair.

Yet it seems to have been Mr Valls who has stirred up new speculation about Popular. In a July letter to managers, just before reporting a 15 per cent rise in first-half group profits to Pta24bn ($222m), he warned that "we have information that a hunter is eyeing us". Then he *spoke to Expansion.*

Speaking "broadly", he said: "We have always been number seven and we have always kept ourselves at the margins, a stone alone . . . so, now that they have formed a big public sector group and two large private ones, the union of the three golden bachelors that remain makes sense."

Nothing was under discussion, he said. Santander had told Popular it was not buying its stock although someone, he *said, held 6 per cent of the* bank and he did not know who it was. There have been plenty of disclaimers, however. Bank spokesmen say the mystery hunter or the location of the 6 per cent is not a worry and a merger of the 'solteros' – Popular, Banesto and Santander – is not being discussed.



Banesto's Mario Conde (left) and Santander's Emilio Botin

But if the 'hunter' is not a threat, and if the merger is not on the cards, why bring them up? Popular does not need any extra attention. It is often rated the most profitable bank in the world and it is the most popular stock in Madrid.

Mr Valls says nothing mysterious is going on, but everyone has a theory. "Popular is trying to do two things," says one leading Madrid stockbroker. "It has gone public to try and smoke out whoever owns the 6 per cent it cannot identify and it is testing the merger waters to see what is available."

The bank has realised that it cannot expand its business much more on its own.

Nevertheless, "someone could get 25 per cent of this bank very easily," another analyst says. "Their poison pill [designed to prevent hostile takeovers] will be illegal under European Community rules in two years' time."

Speculation on who might have the 6 per cent, or might be interested in a merger or takeover, centres on three possibilities:

● A foreign bank looking for margin. While pre-tax profits in French banking may average some 0.3 per cent of average total assets, Spanish banks average 1.8 per cent. Popular last year made 2.92 per cent and without its heavy depreciations and provisions, a "true" margin might be a colossal 4 per cent.

● Banco Santander. Santander has bought aggressively into foreign banks and is often rumoured to be looking for a Spanish acquisition. Asset disposals in Spain, a 42 per cent capital increase last year, a Pta40bn bond issue last June and a further $250m issue in the US last month have raised Santander's war chest to more than $5bn, well beyond its capital adequacy requirement.

But the money may not be spent in Spain. Santander does not need to take over any other Spanish banks because it captured hundreds of thousands of their clients in 1989 by launching the country's first interest-bearing current accounts.

● Banco Espanol de Credito (Banesto). As a bank, Popular has everything Banesto craves – high margins and very good management. It is unlikely Banesto could have any of Popular without launching a takeover bid. Popular shareholders would not be attracted by Banesto stock in a merger and Popular management abhors industry – Banesto has huge industrial holdings. But Banesto has also been disposing of industrial assets this year and is building up a cash pile.

If Popular had to choose, it would probably be happier with Santander which is also eschewing industrial holdings, but no-one is asking it to choose and Mr Luis Valls confesses to being a little bemused by all the merger speculation.

"Its August," he says, "and there are not many people in the office, so when people call for information I can't move them on to other colleagues. We talk to everyone who calls, but now I am taking the calls." And the letter? The hunter? "There were rumours at the end of June," he says, "and the letter to branch managers was designed to calm them down, to say, look, you're not going to find yourselves working for someone else tomorrow. We are not negotiating anything with anyone."

Mr Valls, a devout member of the Catholic Opus Dei order, spends much of his working week at a mountain retreat near Madrid and is something of a philosopher. He will not mind the speculation. "We want to be Switzerland," he says, "small and prosperous."

**BANCO POPULAR'S FIVE-YEAR RECORD**

| | 1988 | 1989 | 1990 | 1991* | 1992* |
|---|---|---|---|---|---|
| Total assets (Pta bn) | 2.03 | 2.29 | 2.38 | 2.62 | 2.86 |
| Cash flow (Pta bn) | 82.02 | 88.42 | 104.13 | 113.17 | 123.99 |
| Net profit (Pta bn) | 28.05 | 33.5 | 38.6 | 43.33 | 47.8 |
| P/E ratio | 11.07 | 9.27 | 8.05 | 7.17 | 6.50 |

*Estimate — Source: FG Inversiones Bursatiles

# Shipbuilders to return to profits

By **John Ridding** in Seoul

SOUTH KOREAN shipbuilders, buoyed by an upturn in international demand, are expected to return to profit this year after a protracted period of losses, according to company officials and industry analysts.

Daewoo Shipbuilding and Heavy Machinery, a subsidiary of the Daewoo Group, one of Korea's largest conglomerates, and Samsung Shipbuilding and Heavy Industry, a member of the Samsung Group, are forecast to see profits for the first time since the early 1980s.

Halla Engineering and Heavy Industry, is forecast to return its first profit since it was established in 1977.

The upturn is the result of strong order books, resulting from the replacement of ageing international shipping fleets, and a sharp reduction in the number of labour disputes at Korean shipyards. Strikes, industrial disputes and sharp rises in wages plagued the Korean industry in the late 1980s.

There have been no serious labour disputes this year and orders have continued to see strong growth. In the first six months this year, orders worth 1.27m gross tons were received by Korean yards.

The bulk of the new orders have been for crude, ore and liquefied petroleum gas carriers and has been placed with Hyundai Heavy Industries, *Daewoo Shipbuilding*, and Samsung Shipbuilding – Korea's largest shipbuilders.

"We have been seeing a steady increase in orders" said an official at Daewoo Heavy Industries. He added that the company had enough orders to keep its yards busy until 1993 and predicted continued growth in demand.

Analysts forecast that the company will achieve profits of more than Won 10bn ($13.7m) this year and achieve its export goal of Won 950bn. This would be Daewoo Shipbuilding's first profit since 1983.

# Siemens talks to automotive unit

By **David Goodhart** in Bonn

SIEMENS, the German electrical and electronic group, *looks poised to expand its* interest in automotive electronics after the disclosure that it is in talks with VDO Adolf Schindling, a German-based world market leader in automobile instruments.

Siemens would not say whether the talks were directed at buying a stake in VDO or co-operating in joint ventures. However, the companies have ruled out a takeover by Siemens.

Automotive electronics was pinpointed by Siemens as a growth area in the late 1980s and this year it will record sales of well over DM2bn (US$1.16bn) in its division.

*It has expanded by acquisi*tion and organic growth. The biggest purchase was Bendix Electronics of the US in 1988. That was followed by KEN, the Nuremberg company bought from Triumph Adler and MACI Industrial of Canada.

Siemens is interested in offering whole systems of automotive electronics rather than establishing world market leadership in any particular product. A joint venture with VDO would allow Siemens to offer much wider packages.

VDO Adolf Schindling, based in southern Germany, has a large share of the German instrument market and last *year reported sales of more* than DM2.2bn. Although large companies like Siemens see long-term growth in automotive electronics, some of the smaller specialist companies are suffering from increased competition and over-dependence on a single industry.

Closer co-operation between VDO and Siemens is in part, according to some analysts, a defensive reaction to the recent takeover of Moto Meter by Bosch, which is another leading producer in the automotive electronics sector.



## CONTRACTS & TENDERS



## CLUBS



## PERSONAL



## LEGAL NOTICES

**ADTEC (WALES) LIMITED**

Registered number: 1874088
Nature of business
Engineering and welding plant hire
Trade classification Engineering
Date of appointment of joint administrative receivers
2 August 1991
Name of person appointing the joint administrative receivers
Lloyds Bank Plc
*JOSEPH PATRICK CONSIDINE and Richard* Anthony Smart
Joint Administrative Receivers(Office holder nos 056 and 288)
Cork Gully, Churchill House, Churchill Way, Cardiff CF1 4XQ

**ADWELD ENGINEERING SERVICES LIMITED**

Registered Number 1199192
Nature of business: Fabrication and manufacture of brick and block moulds
Trade classification: Engineering
Date of appointment of joint administrative receivers, 2 August 1991
Name of person appointing the joint administrative receivers: Lloyds Bank Plc
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
*(Office holder nos 056 and 288) of*
Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

**Notice of Appointment of Administrative Receiver Pursuant to Section 46(1) (B) of the Insolvency Act 1986**

Company number 1137098
Name of company: Premium International plc

We, Christopher John Barlow, John Frederick Powell and John David Harrison of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ hereby give notice that on the 29th July, 1991 we were appointed administrative receivers of the above company by The Royal Bank of Scotland PLC under the terms of a debenture dated 12th January 1990 giving the holders a fixed and floating charge over the whole of the assets of the company.

C J Barlow
J F. Powell
J D Harrison

# INTERNATIONAL COMPANIES AND CAPITAL MARKETS

## SNC to take over Lavalin engineering arm

By Robert Gibbens in Montreal

SNC Group, the project engineering and construction company, is to buy the engineering business of troubled Lavalin, Canada's biggest engineering group.

SNC will absorb 4,000 employees and all the assets required to operate the Lavalin engineering business which is estimated to have had a turnover of around C$400m (US$347.8m) last year.

SNC said it will finance the acquisition through a mixture of shares and long-term borrowing, but would not put an overall price on the takeover.

The deal is the latest in a long line of measures aimed at rescuing Montreal-based Lavalin which has for many years been a symbol of the newly assertive business culture of the province of Quebec.

The Quebec government recently injected C$20m into the group to tide it over a cash crisis. Last month Lavalin mothballed its Kemtec petrochemicals unit.

Lavalin's troubles stem from a variety of causes, including economic recession, long delays in negotiating prestige international contracts and a disastrous air leasing deal.

The SNC deal covers most of Lavalin's contracts, accounts receivable, equipment and joint ventures. It also includes two large subsidiaries operating in the Ontario market where SNC has wanted to expand.

Mr Guy Saint-Pierre, president of SNC, said the company will now be able to compete on a world scale with a workforce of 8,000.

● CAE Industries, a leading producer of simulator systems and flight training programmes, said performance was still below par even though CAE has returned to profits after restructuring in Canada and the US. However, demand for simulator training systems was expanding.

Group profits for the first quarter of 1991-92 were C$6.7m, or 7 cents a share, little changed from a year earlier, on revenues of C$273m against C$264m.

## Sunbop profits up 21% at R229.5m

By Philip Gawith in Johannesburg

SUN INTERNATIONAL Bophutatswana (Sunbop), the hotel and leisure group, overcame difficult economic and trading conditions to record solid earnings growth in the year to June 30.

Turnover rose by 23 per cent to R772.5m ($272.00m) and operating profit was 21 per cent up at R229.5m. Attributable earnings rose by 22 per cent to R191.8m.

Sunbop runs six hotels in Bophutatswana in addition to three hotels at the massive Sun City leisure complex. An important portion of the company's revenue comes from gaming, with South Africans travelling to the nominally-independent homeland to do what they are not allowed to do in South Africa.

The hotels in the group achieved an average occupancy of 77 per cent, down from 80 per cent the previous year, but a creditable performance given difficult conditions in the industry.

The group is involved in large-scale capital expenditure on two projects – the R650m "Lost City" development at Sun City and the R350m Babelegi Carousel. This level of capital expenditure is a vote of confidence, both in the country's future and, more specifically, in the tourism industry, which is going through a difficult patch.

Earnings per share rose by 22 per cent to 176.9 cents and the dividend was raised to 132 cents, from 108 cents, per share.

## M&A boost as Japanese look homewards

**Neil Weinberg** looks at the increasing interest now being shown in domestic mergers

Just as Japan's wave of overseas mergers and acquisitions (M&A) is subsiding, the tide is rising at home. Cross-border activity has attracted the most interest in recent years, and still outpaces domestic M&A by value, but the gap is closing fast.

In the first six months this year, the value of domestic M&A jumped 30 per cent to Y220bn ($1.62bn) or 33 per cent of the Y663.2bn industry total, according to Daiwa Securities.

Deregulation, intensifying competition and expansion of markets to a national, regional or global scale are the main catalysts for domestic M&A in most industrialised countries. However, in Japan, there are some unique dynamics at work.

Japan's continuing financial restructuring, rising capital costs, and the 1990 stock-market collapse are among the biggest incentives for stepped-up M&A activity, says Mr Masaaki Yoshida, chief executive officer of the Recof M&A boutique.

Some smaller companies are finding it increasingly difficult to find affordable financing without a muscular partner or owner. Among larger sell candidates, mergers could also provide the critical mass needed for listing on Japan's over-the-counter stock market.

Domestic M&A has long been used in Japan to bail out sinking companies, and will soon account for most activity – as it did until the cross-border boom of the mid-1980s.

Japan's labour shortage is most acute among smaller companies and the founders of companies set up after the war are reaching retirement – a lack of family successors has become a widespread headache, M&A specialists say.

"You hear of cases when the son is not interested in the business. He wants to become a musician," says Mr Kazuyuki Suyama, chief manager of the project development division in Long-Term Credit Bank of Japan's corporate advisory department. Other companies are under pressure for failing to remain at the cutting edge of their industries.

Tax incentives have helped transform a little-known fiscal change introduced in April 1989 – when Japan's new consumption tax sparked a political firestorm – into a vital element of the domestic M&A market.

**In Japan companies are still viewed as organic entities rather than commodities. The objective of M&A is to strengthen companies' long-term business prospects**

Previously, proceeds from the sale of a privately-held company were considered part of the owner's income, and well over half could end up in government coffers. Under the revised law, the sale of a company is taxed at a uniform 26 per cent.

At the macro-economic level, foreign pressure, or *gaiatsu*, is speeding deregulation, and thus restructuring, in many inefficient industries dominated by smaller companies, including distribution and retailing.

Sweeping revision of Japan's Large-Scale Retail Store Law following Strategic Impediments Initiative talks with the US, and other campaigns to open domestic markets to foreign products and align prices with those overseas, are forcing many sectors to face competition and threaten the survival of hundreds of companies.

"With drastic changes to the economic structure under way, substantial consolidation is expected in the next 10 years," says Mr Hideo Karino, general manager of corporate development services at Nikko Securities. The supermarket industry is an example of a trade on the verge of consolidation. Mr Karino offers the case of a grocery chain operator with about Y35bn in sales who approached his firm. Margins were reasonable but projections showed trouble ahead unless the firm boosted sales to at least Y100bn. Although the man was not anxious to merge his business, he saw no other way to gain the size necessary to compete.

One recently completed supermarket buy-out involved Harashin, a Niigata Prefecture chain, which took a 95.9 per cent interest in Kotaya Supermarket to expand and strengthen management and distribution.

Internal pressures, the new tax incentive and rapid structural economic changes, have prompted the owners of many small and medium-sized companies to consider merging or being acquired for the first time. This should unclog the industry's most severe bottleneck: the lack of sellers.

The attention given to leading companies during the overseas M&A boom of the late 1980s has also helped remove the stigma long associated with the sale of a company in Japan.

"The number of buyers is still much bigger than the number of sellers, but we can now find sellers in every local area," says Mr Karino.

Nikko, like Recof, has forged ties with a number of regional banks to keep an ear on the pulse of small business. For domestic buyers, there are also a number of uniquely Japanese incentives for taking the M&A route. It is often easier and cheaper to acquire up-and-running companies with land, workers, distribution channels and business connections than to launch greenfield ventures.

Foreign companies have long appreciated these attractions, and a small number have gained access to Japanese markets through local acquisitions, particularly in industries where the nation traditionally has been weak, including pharmaceuticals and chemicals.

Foreign companies have acquired 15-20 Japanese companies annually in recent years, but the figure is beginning to rise. "The resistance [to selling to foreigners] will break down. The number of buy-outs [by foreign companies] will definitely pick up," says Mr Peter Massion, manager of Morgan Grenfell's Tokyo M&A department.

Among the largest foreign takeovers so far has been the US-based Merck group's majority share in Banyu Pharmaceutical, a Tokyo stock exchange first-section company. Ciba-Geigy, Switzerland's leading chemicals group, announced this month it had bought 20 per cent of Tomono Nohyaku, a family-owned manufacturer of plant protection products.

Many other groups are likely to agree to similar foreign minority shares or buy-outs to gain access to technology or overseas markets.

One thing that will not catch on are the speculative M&A and leveraged buy-outs common in the US and UK recently. In Japan, companies are still viewed as organic entities rather than commodities, and the objective of M&A is strictly to strengthen the companies' long-term business prospects.

"In America, the M&A business went too far and became a money game," says Recof's Mr Yoshida. "That's why it collapsed recently. In Japan M&A is a strategic matter to meet the needs of companies, and advisers act as mediators."

## Shell and BP expand SA plant

By Philip Gawith

SHELL South Africa and BP Southern Africa have announced a R450m ($158.4m) capacity expansion to Sapref, the largest oil refinery in Africa.

The announcement is the latest in a series by South African refineries planning to expand capacity.

Engen is spending R670m on its Genref refinery, with a possible expenditure of R1.2bn later; Caltex is is spending R240m on the Milnerton refinery; and Sasol is spending R400m at its Natref refinery.

Production details of the petroleum industry remain classified information, a legacy of the sanctions era, so precise figures of capacity are not available.

Sapref's capacity has been estimated by the industry magazine Petroleum Economist as 200,000 barrels per day. The latest announcement involves a 30 per cent expansion of capacity to the Durban-based refinery.

Shell and BP say the project is designed to increase capacity to meet anticipated growth in demand for transportation fuels. It will include advance process technology which allows for the production of low sulphur diesel fuel and expansion of the refinery's capacity to produce unleaded fuel.

Analysts say the expansion of capacity is necessary to ease current shortages and to prepare for growth, both domestically and abroad, as South Africa's trade prospects improve following the lifting of sanctions.

The project will start this year and is due for completion by the end of 1993. Approximately 65 per cent of the R450m will be spent in South Africa.

## COMPANY NEWS IN BRIEF

THE Mexican government has sold its fifth bank, Banco de Oriente (Banorie), for 223.2bn pesos ($73.2m), equal to four times the bank's book value, writes Damian Fraser.

This is the highest multiple of book value fetched by the banks privatised so far, and sets the stage for the auction of Banamex, Mexico's largest bank, on August 23.

■ THE government-owned Development Bank of Singapore, the republic's largest banking group, reported a 1.7 per cent fall in group pre-tax profit for the six months ended June 30, compared with the previous interim period, AP-DJ reports. The figure was S$189m (US$110m), against S$192m.

Net interest income, or interest earned less interest expenses, rose 6.8 per cent at the group level, to S$227m.

■ HONG KONG property investment group Asia Securities International has agreed to sell a property subsidiary to mining company Crusader Holdings for HK$80m (US$10.27m), AP-DJ reports.

The group, control of which was sold earlier this year to Malaysian tycoon Mr Lee Ming Tee's Allied Group, said the subsidiary's main asset was a 25-storey building in the Wanchai commercial district.

NGC Settlements Limited



# FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 12, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Afghanistan | (Afghani) | 99.25 | 58.4511 | 33.8737 | 42.8263 |
| Albania | (Lek) | 10.06 | 5.9246 | 3.4334 | 4.3408 |
| Algeria | (Dinar) | 29.67 | 17.4734 | 10.1262 | 12.8025 |
| Andorra | (Fr Fr) | 9.9625 | 5.8671 | 3.4001 | 4.2988 |
| | (Sp Peseta) | 183.25 | 107.921 | 62.5426 | 79.0722 |
| Angola | (Kwanza) | 101.213 | 59.6071 | 34.5436 | 43.6733 |
| Antigua | (E Carr $) | 4.58 | 2.6972 | 1.5631 | 1.9762 |
| Argentina | (Austral) | 16763.4 | 9872.44 | 5721.3 | 7233.4 |
| Aruba | (Florin) | 3.04 | 1.7903 | 1.0375 | 1.3117 |
| Australia | (Aus $) | 2.1645 | 1.2747 | 0.7387 | 0.9339 |
| Austria | (Schilling) | 20.605 | 12.1348 | 7.0324 | 8.891 |
| Azores | (Port Escudo) | 252.10 | 148.469 | 86.0409 | 108.781 |
| Bahamas | (Bahama $) | 1.6980 | 1 | 0.5795 | 0.7326 |
| Bahrain | (Dinar) | 0.6398 | 0.3767 | 0.2183 | 0.276 |
| Balearic Is | (Sp Peseta) | 183.25 | 107.921 | 62.5426 | 79.0722 |
| Bangladesh | (Taka) | 60.25 | 35.4829 | 20.5631 | 25.9978 |
| Barbados | (Barb $) | 3.41 | 2.0082 | 1.1638 | 1.4714 |
| Belgium | (Belg Fr) | 60.60 | 35.689 | 20.6825 | 26.1488 |
| Belize | (B $) | 3.393 | 1.9982 | 1.158 | 1.464 |
| Benin | (CFA Fr) | 498.125 | 293.36 | 170.009 | 214.941 |
| Bermuda | (Bermudian $) | 1.6980 | 1 | 0.5795 | 0.7326 |
| Bhutan | (Ngultrum) | 43.90 | 25.8539 | 14.9829 | 18.9428 |
| Bolivia | (Boliviano) | 6.12 | 3.6042 | 2.0887 | 2.6407 |
| Botswana | (Pula) | 3.471 | 2.0441 | 1.1846 | 1.4977 |
| Brazil | (Cruzeiro) | 600.72 | 353.781 | 205.024 | 259.21 |
| Brunei | (Brunei $) | 2.9160 | 1.7173 | 0.9952 | 1.2582 |
| Bulgaria | (Lev) | 31.014 | 18.265 | 10.5849 | 13.3825 |
| Burkina Faso | (CFA Fr) | 498.125 | 293.36 | 170.009 | 214.941 |
| Burma | (Kyat) | 10.5879 | 6.2355 | 3.6136 | 4.5686 |
| Burundi | (Burundi Fr) | 293.55 | 172.88 | 100.188 | 126.667 |
| Cambodia | (Riel) | 1357.2 | 799.293 | 463.208 | 585.631 |
| Cameroon | (CFA Fr) | 498.125 | 293.36 | 170.009 | 214.941 |
| Canada | (Canadian $) | 1.9485 | 1.1475 | 0.665 | 0.8407 |
| Canary Is | (Sp Peseta) | 183.25 | 107.921 | 62.5426 | 79.0722 |
| Cp. Verde | (CV Escudo) | 126.52 | 74.5111 | 43.1808 | 54.5933 |
| Cayman Is | (CI $) | 1.42 | 0.8303 | 0.4812 | 0.6084 |
| Cent.Afr. Rep | (CFA Fr) | 498.125 | 293.36 | 170.009 | 214.941 |
| Chad | (CFA Fr) | 498.125 | 293.36 | 170.009 | 214.941 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| COUNTRY | | £ STG | US $ | D-MARK | YEN (X 100) |
|---|---|---|---|---|---|
| Ghana | (Cedi) | 627.15 | [illegible] | [illegible] | [illegible] |
| Gibraltar | (Gib £) | 1.00 | [illegible] | [illegible] | [illegible] |
| Greece | (Drachma) | 323.65 | [illegible] | [illegible] | [illegible] |
| Greenland | (Danish Krone) | 11.3475 | [illegible] | [illegible] | [illegible] |
| Grenada | (E Carr $) | 4.58 | [illegible] | [illegible] | [illegible] |
| Guadaloupe | (Local Fr) | 9.9625 | [illegible] | [illegible] | [illegible] |
| Guam | (US $) | 1.6980 | [illegible] | [illegible] | [illegible] |
| Guatemala | (Quetzal) | 8.4690 | [illegible] | [illegible] | [illegible] |
| Guinea | (Fr) | 1051.83a | [illegible] | [illegible] | [illegible] |
| | | 508.95a | [illegible] | [illegible] | [illegible] |
| Guinea-Bissau | (Peso) | 1102.72 | [illegible] | [illegible] | [illegible] |
| Guyana | (Guyanese $) | 215.46 | [illegible] | [illegible] | [illegible] |
| Haiti | (Gourde) | 8.48 | [illegible] | [illegible] | [illegible] |
| Honduras | (Lempira) | 8.9575 | [illegible] | [illegible] | [illegible] |
| Hong Kong | (HK $) | 13.2185 | [illegible] | [illegible] | [illegible] |
| Hungary | (Forint) | 128.13 | [illegible] | [illegible] | [illegible] |
| Iceland | (Icelandic Krona) | 103.25 | [illegible] | [illegible] | [illegible] |
| India | (Indian Rupee) | 43.90 | [illegible] | [illegible] | [illegible] |
| Indonesia | (Rupiah) | 3331.20 | [illegible] | [illegible] | [illegible] |
| Iran | (Rial) | 115.80 | [illegible] | [illegible] | [illegible] |
| Iraq | (Iraqi Dinar) | 0.5936 | [illegible] | [illegible] | [illegible] |
| Irish Rep | (Punt) | 1.0980 | [illegible] | [illegible] | [illegible] |
| Israel | (Shekel) | 3.94 | [illegible] | [illegible] | [illegible] |
| Italy | (Lira) | 2193.75 | [illegible] | [illegible] | [illegible] |
| Jamaica | (Jamaican $) | 16.9925 | [illegible] | [illegible] | [illegible] |
| Japan | (Yen) | 231.75 | [illegible] | [illegible] | [illegible] |
| Jordan | (Jordanian Dinar) | 1.1488 | [illegible] | [illegible] | [illegible] |
| Kenya | (Kenya Shilling) | 48.52 | [illegible] | [illegible] | [illegible] |
| Kiribati | (Australian $) | 2.1645 | [illegible] | [illegible] | [illegible] |
| Korea North | (Won) | 1.646 | [illegible] | [illegible] | [illegible] |
| Korea South | (Won) | 1238.65 | [illegible] | [illegible] | [illegible] |
| Kuwait | (Kuwaiti Dinar) | 0.4973 | [illegible] | [illegible] | [illegible] |
| Laos | (New Kip) | 1187.55 | [illegible] | [illegible] | [illegible] |
| Lebanon | (Lebanese £) | 1514.1 | [illegible] | [illegible] | [illegible] |
| Lesotho | (Maloti) | 4.8335 | [illegible] | [illegible] | [illegible] |
| Liberia | (Liberian $) | 1.6980 | [illegible] | [illegible] | [illegible] |
| Libya | (Libyan Dinar) | 0.489 | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

European Currency Unit Rates August 12, 1991 United Kingdom £0.700277 United States $1.18697 Germany D Mark 2.04990 Japan Yen162.045

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; † Zaire Rep: devalued 7/8/91.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, August 12, 1991.



## FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on August 12

| U.S. DOLLAR STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| ABBEY NATIONAL 8 7/8 93 | 150 | 102¼ | 102⅝ | | 7.27 |
| ALBERTA PROVINCE 9 3/8 95 | 600 | 104⅞ | 105¼ | | 7.95 |
| AUSTRIA 8 1/2 00 | 400 | 99⅞ | 100¼ | -⅛ | 8.51 |
| BANK OF TOKYO 8 3/8 96 | 100 | 100 | 100½ | | 8.35 |
| BELGIUM 9 5/8 98 | 250 | 105¼ | 106¼ | | 8.49 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| OTHER STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| BAYERISCHE VEREINS INT 7 94 LFr | 600 | 94¼ | 95¼ | | 9.37 |
| KREDIETCORP 7 93 LFr | 1000 | 95¼ | 96¼ | | 9.44 |
| WORLD BANK 8 96 LFr | 1000 | 96¼ | 98½ | | 8.99 |
| RABOBANK 5 3/4 93 Fl | 150 | 94⅝ | 95⅜ | | 9.59 |
| UNILEVER 9 00 Fl | 500 | 102⅛ | 102½ | | 8.64 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| YEN STRAIGHTS | Issued | Bid | Offer | Chg. day | Yield |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FINLAND 6 3/4 96 | 50000 | 99¾ | 100¼ | | 6.80 |
| GENERAL ELECTRIC 5 3/4 93 | 35000 | 97⅞ | 98⅛ | | 7.14 |
| INTER AMER DEV 7 1/4 00 | 30000 | 103½ | 103¾ | +⅛ | 6.70 |
| KANSAI ELEC PWR 4 5/8 94 | 60000 | 94⅝ | 94⅞ | | 6.85 |
| NIPPON TEL & TEL 5 7/8 96 | 50000 | 96¼ | 96⅝ | | 6.76 |
| NORWAY 5 1/8 95 | 50000 | 94½ | 95 | | 6.79 |
| SNCF 6 3/4 00 | 30000 | 100⅝ | 100⅞ | | 6.64 |
| SWEDEN 5 5/8 95 | 20000 | 95⅞ | 96⅛ | +⅛ | 6.80 |
| WORLD BANK 6 3/4 00 | 50000 | 100¼ | 100⅝ | | 6.64 |

| CONVERTIBLE BONDS | Issued | Cnv. price | Bid | Offer | Prem. |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| LAND SECS 6 3/4 02 £ | 84 | 6.72 | 85⅛ | 86½ | +14.97 |
| MITSUBISHI BK 1 3/4 02 | 300 | 2727.1 | 107⅞ | 109⅞ | -0.63 |
| OGDEN 6 02 | 85 | 39.077 | 70¼ | 71¼ | +35.32 |
| PACIFIC DUNLOP 6 3/4 97 | 75 | 3.749 | 106¼ | 107¼ | -1.91 |
| TEXAS INSTRUMENTS 2 3/4 02 | 300 | 82⅞ | 83⅞ | 84⅞ | |
| THORN EMI 5 3/4 04 £ | 103 | 7.45 | 116 | 117 | +10.09 |

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# Mortgage-backed issue launched by Spanish bank

By Peter Bruce in Spain and Tracy Corrigan in London

BANCO BILBAO Vizcaya, Spain's largest commercial bank, plans to launch the country's first mortgage participation certificates at the end of this month, in what may be the start of a credible mortgage-backed market in Spain.

The BBV's move comes after a government decision to liberalise the mortgage market. From the end of August private banks, the post office savings bank (Caja Postal) and the national savings bank governing body, CECA, will be allowed to issue mortgages.

The new decree is a pointed attempt to generate a market in mortgage-backed securities. The authorities began to liberalise rules on securitisation earlier this year and several asset-backed deals have already emerged.

The change of stance by the government came partly in recognition of the contribution securitisation could make to the efforts of Spanish banks to meet capital adequacy requirements.

Securitisation allows banks to remove assets from their balance sheets, reducing the need for fresh capital.

The BBV said its first issue, designed "to test the market", will yield 14 per cent and will be made up of 218 mortgage loans - 191 on homes and 37 on businesses in Madrid and Barcelona.

All of the first issue has already been placed with institutions, but the bank said others will follow.

Meanwhile, Citibank is also said to be planning a mortgage-backed deal, perhaps in the form of a syndicated loan.

# Treasuries show slight advance

By Patrick Harverson in New York and Sara Webb in London

US bond prices firmed slightly yesterday morning as hopes rose of another cut in short-term interest rates by the Federal Reserve.

By midday the benchmark 30-year Treasury issue was up $\frac{1}{32}$ at $98\frac{31}{32}$, yielding 8.215 per cent. The two-year note, however, was unchanged at 100¾, yielding 6.443 per cent.

After last week's reduction

### GOVERNMENT BONDS

in the Fed funds rate, bond markets have been looking for a 50 basis point cut in the discount rate. Sources close to the Fed have hinted that a fresh move to stimulate the economy is around the corner, and with political pressure for further rate cuts growing, investors are buying bonds in anticipation of easier monetary policy.

In the credit markets, the Fed continued to work on reducing the Fed funds rate to its new target of 5½ per cent. A further $1.5bn in customer repurchase agreements were concluded yesterday, but by midday Fed funds remained at $5\frac{9}{16}$ per cent.

■ INVESTORS showed scant interest in European government bond markets yesterday as they wait to see what action the Bundesbank takes when council members meet this Thursday.

A rise in interest rates is widely expected, given the increase in German inflation to 4.4 per cent. There is speculation over whether both the discount rate of 6.5 per cent and the Lombard emergency funding rate of 9 per cent will be raised and by how much.

The Liffe bund futures contract opened at 84.16 and traded up to 84.26 by late afternoon, but traders said that volumes were very low, with only 17,000 contracts traded.

Elsewhere, Dutch government bonds fell on worries about inflation and possible new supply of long-dated bonds.

■ THE combination of profit-taking by investors, sterling weakness and a large Eurosterling bond issue helped to depress UK government bond prices yesterday.

The launch of a £400m ten-year Eurosterling bond issue from the Guaranteed Export Finance Corporation yesterday depressed the market, following close on the heels of several new gilt issues by the Bank of England. The benchmark 11¾ per cent gilt due 2003/07 opened at $111\frac{19}{32}$ and fell to $111\frac{1}{8}$ by late afternoon.

■ JAPANESE government bonds were virtually unchanged on the day on substantially lower volumes. The yield on the benchmark No 129 JGB opened at 6.51 per cent and closed at 6.52 per cent in Tokyo on a volume of Y240bn.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 12.000 | 11/01 | 107.9405 | -0.066 | 10.70 | 10.95 | 10.99 |
| BELGIUM | | 10.000 | 08/00 | 103.4000 | -0.100 | 9.42 | 9.49 | 9.38 |
| CANADA * | | 9.750 | 12/01 | 99.6000 | 0.150 | 9.81 | 9.81 | 9.95 |
| DENMARK | | 9.000 | 11/00 | 97.7250 | -0.060 | 9.36 | 9.44 | 9.27 |
| FRANCE | STAN | 9.000 | 02/96 | 98.5998 | -0.105 | 9.36 | 9.37 | 9.18 |
| | OAT | 9.500 | 01/01 | 102.0200 | -0.100 | 9.15 | 9.18 | 9.06 |
| GERMANY | | 8.375 | 05/01 | 98.6100 | 0.040 | 8.58 | 8.60 | 8.54 |
| ITALY | | 12.500 | 03/01 | 96.8900 | -0.220 | 13.51 | 13.42 | 13.18 |
| JAPAN | No 119 | 4.800 | 06/99 | 89.3000 | -0.034 | 6.80 | 6.86 | 7.18 |
| | No 129 | 6.400 | 03/00 | 99.3658 | -0.027 | 6.52 | 6.52 | 6.74 |
| NETHERLANDS | | 8.500 | 03/01 | 97.4300 | -0.190 | 8.90 | 8.86 | 8.76 |
| SPAIN | | 11.900 | 07/96 | 99.8000 | -0.050 | 11.93 | 11.96 | 11.81 |
| UK GILTS | | 10.000 | 11/96 | 99-16 | -07/32 | 10.13 | 10.10 | 10.26 |
| | | 10.000 | 02/01 | 99-15 | -14/32 | 10.09 | 10.00 | 10.22 |
| | | 9.000 | 10/08 | 93-01 | -15/32 | 9.84 | 9.78 | 9.97 |
| US TREASURY * | | 8.000 | 05/01 | 100-03 | +28/32 | 7.98 | 8.06 | 8.24 |
| | | 8.125 | 05/21 | 98-26 | -01/32 | 8.23 | 8.25 | 8.43 |

London closing, *New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. *Technical Data/ATLAS Price Sources*

# European bonds and the single currency

**Simon London** looks at the possible impact of monetary union on investment attitudes

Progress towards a single European currency is anything but smooth – but it has been fast enough to make securities firms wonder what the capital markets will look like when the process is complete.

The starting point is that government bonds denominated in domestic currency or in the single European currency (probably Ecu) should offer the same yield at the point when a single currency is introduced.

This is why many analysts are recommending that investors buy high-yielding European bonds – denominated in lire, pesetas or even sterling – in the expectation that yields will fall to the level of Ecu bonds. This is the so-called convergence investment strategy favoured by many investors this year.

However, convergence does not mean that bonds issued by all European governments will offer the same yield once European Monetary Union (Emu) is in place. One startling effect of a single European currency could be to focus attention on the credit quality of European governments, as if they were private sector companies.

The theory is that management of a single currency will require a European central bank, with control over money supply and therefore over the printing of money. By removing this responsibility from national governments, Emu will also remove the perfection of government bond markets.

Governments will simply not have the option of expanding the money supply, crudely printing money, to meet debt obligations.

In this case some analysts expect the national government bond markets to trade at slightly higher yields than Ecu bond yields, governed by the credit differences between the governments.

Mr Malcolm Roberts of UBS Phillips & Drew draws the comparison with the way in which bonds issued by Canadian provinces trade at a higher yield than those issued by the national government. The concentration of power at the centre may give Ecu bonds, issued by the European Community, benchmark status as the lowest yielding bonds in Europe.

The current position is the reverse, where Ecu bonds yield more than domestic government bonds issued by the German or French governments, but less than those of high interest rate, high-yield economies such as the UK, Spain or Italy.

But a further question is how the market will judge the credit quality of European governments. The large credit rating agencies already assign credit ratings to the foreign debt obligations of national governments according to a complex set of criteria. For example, Italy recently lost its coveted triple-A credit rating from Moody's Investors Service, the US rating agency.

Once a single currency is in place, however, analysts suggest using new criteria, similar to the ones applied to large corporations. One ratio favoured by many analysts is income gearing, or the ratio of interest payments to government revenue.

An analysis by Mr Graham Bishop, researcher at Salomon Brothers in London, suggested at current interest rates several European states (Belgium, Greece, Ireland, Italy and Portugal) would face income gearing so high that they would fall below "investment grade" credit quality.

> **"There is a high risk of the whole idea collapsing. It is my belief that the road to Emu will be a long and rocky one"**

However, if European interest rates turn out to be lower in the post-Emu world than they are now, high-borrowing nations will face lower debt-servicing costs and more would reach investment grade.

Income gearing is not the only consideration. Mr Bishop also points out that investors will also have to consider government's "off-balance sheet" financial obligations in the same way that corporate investors do.

For example, pension commitments to the public sector could become a substantial competing claim on the government's revenue alongside the cost of servicing debts. This problem is more than academic. Last week, for example, the Italian government introduced measures to raise the retirement age for men and women to 65. This could save L18,000bn ($13.9bn) per year by 2010.

Mr Bishop makes the point that measuring the credit quality of EC member states is irrelevant if the EC as a whole is seen to guarantee the debts of each national government. The EC currently has a "no bail-out rule", whereby each national government is wholly responsible for its own debt. But can this be made to work ?

"If the answer is negative, then assessing potential credit spreads becomes entirely theoretical – interest rates will simply converge towards those nations seen as the ultimate guarantors of the community," said Mr Bishop.

If the answer is positive, nations which are seen as over-borrowed will have to work hard to attract additional international finance. This could provide crucial discipline for states with an already high national debt.

But not everyone is convinced that it will be discipline enough. Last week it emerged the Germans favour a "two-speed" approach, with those countries with a high fiscal deficit excluded from the initial stages of Emu. The plan appears to have its roots in fears that monetary union with high deficit countries could lead to unacceptable inflationary pressures for the low deficit countries.

Under the plan, a European central bank would manage a single currency for the "core" nations. A separate council of finance ministers would manage the relationship with the "second-tier" nations, which would retain something similar to the current monetary system of linked exchange rates.

This would result in a core of national bond markets where differences in bond yields are indeed governed by credit quality, and a second-tier of bond markets which would trade very much as they do now on a combination of credit risk, currency risk and political risk.

The plan for a two-speed road to Emu underlines the stresses which the process could place on the European capital markets. Hence not everyone in the City is "bullish" on Emu or investment strategies which anticipate convergence.

"There is a high risk of the whole idea collapsing – and the reason would be Germany's refusal to accept a politically accountable central bank and Emu's implications for fiscal transfers," commented Mr Ceris William of Midland Montagu."It is my belief that the road to Emu will be a long and rocky one."

# GEFCO £400m offering leaves surplus of paper

By Tracy Corrigan

A LARGE £400m offering by the Guaranteed Export Finance Corporation (GEFCO) stretched demand in the recently buoyant sterling bond market, leaving a surplus of paper which may forestall further new issues.

Bonds issued by GEFCO, the borrowing arm of the UK's Export Credits Guarantee Department, are guaranteed by the UK government, but are not rated. The credit is difficult to price, since UK government-guaranteed debt in the sterling market should, theoretically, trade better than bonds guaranteed by other governments.

However, in the Eurobond market, GEFCO's relatively low profile outside the UK, and the better track record of other sovereign-type debt in the international capital markets has eroded that benefit, according to dealers.

The 10⅛ per cent GEFCO bonds due 2001 were priced to yield 32 basis points above the 10-year gilt yield, according to lead manager S G Warburg.

Dealers said that UK investors were taking a typically wait-and-see attitude, since they were not yet convinced that continental European interest in the paper would be sufficient for the spread to tighten.

They added that the recent rally in UK bond prices could be petering out, as some continental European investors were taking profits.

Traders said the clearing

### INTERNATIONAL BONDS

level for the deal was closer to 35 basis points.

Several underwriters said they had sold virtually no bonds at the fixed price reoffer level, and Warburg bought back paper up to 36 basis points over the curve when the issue broke syndicate. Warburg said it estimated two-thirds of the deal had been sold, and GEFCO said it was pleased by the way the deal had gone. The deal has not been swapped so far.

Meanwhile, Citicorp's large $1.25bn credit card-backed deal, expected yesterday, has been postponed until today, due to a delay in filing of the deal with the US Securities and Exchange Commission.

● THE Spanish government has approved a new mechanism aimed at speeding up reimbursement of withholding tax paid by non-residents on interest from public debt paper, Reuter reports.

The new measure takes advantage of the fact that the Bank of Spain acts both as agent for the Treasury and as clearing house administrator for government debt.

Under Decree 1285, a procedure is established whereby on each interest payment date the Treasury will transfer to the Bank of Spain the amount paid in taxes by non-residents. The Bank of Spain will then credit intermediaries with the respective amount of tax, as soon as it receives confirmation of details of individual non-resident investors from the Treasury.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

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| EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section) | Monday August 12 1991: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%) | Est. P/E Ratio (Net) | xd adj. 1991 to date | Fri Aug 9 Index No. | Thu Aug 8 Index No. | Wed Aug 7 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (184) | 825.75 | -0.1 | 10.21 | 5.84 | 12.09 | 23.39 | 826.26 | 835.15 | 832.20 | 807.65 |
| 2 Building Materials (24) | 1046.32 | -0.1 | 8.80 | 5.93 | 14.44 | 31.82 | 1047.84 | 1056.68 | 1051.47 | 1025.44 |
| 3 Contracting, Construction (31) | 1130.50 | -0.4 | 9.73 | 6.90 | 13.58 | 32.68 | 1134.50 | 1142.56 | 1136.35 | 1327.19 |
| 4 Electricals (11) | 2423.42 | ........ | 10.57 | 5.50 | 12.04 | 63.95 | 2423.16 | 2442.93 | 2434.75 | 2166.71 |
| 5 Electronics (25) | 1710.85 | +0.1 | 8.58 | 5.26 | 15.06 | 48.40 | 1709.54 | 1727.78 | 1735.09 | 1668.78 |
| 6 Engineering-Aerospace (8) | 413.02 | -0.1 | 16.54 | 6.07 | 7.25 | 12.11 | 413.58 | 419.27 | 417.83 | 442.10 |
| 7 Engineering-General (45) | 453.90 | -0.5 | 11.75 | 5.65 | 10.45 | 13.13 | 456.18 | 455.94 | 455.91 | 451.59 |
| 8 Metals and Metal Forming (8) | 436.20 | +0.9 | 16.17 | 8.10 | 7.59 | 17.15 | 432.32 | 434.76 | 434.07 | 445.79 |
| 9 Motors (12) | 331.60 | ........ | 9.90 | 7.25 | 12.44 | 12.13 | 331.68 | 332.52 | 326.68 | 326.78 |
| 10 Other Industrial Materials (20) | 1586.45 | ........ | 8.79 | 5.07 | 13.38 | 36.42 | 1586.32 | 1618.95 | 1611.96 | 1447.74 |
| 21 CONSUMER GROUP (187) | 1509.54 | -0.1 | 7.64 | 3.62 | 16.13 | 26.76 | 1510.58 | 1523.48 | 1520.69 | 1228.35 |
| 22 Brewers and Distillers (22) | 1857.06 | +0.4 | 8.27 | 3.57 | 14.73 | 34.70 | 1849.54 | 1858.96 | 1853.77 | 1523.24 |
| 25 Food Manufacturing (19) | 1196.03 | +0.3 | 9.60 | 4.14 | 12.87 | 24.86 | 1192.08 | 1203.68 | 1203.68 | 1038.32 |
| 26 Food Retailing (17) | 2639.17 | -0.2 | 8.15 | 3.16 | 16.04 | 44.38 | 2643.39 | 2696.43 | 2716.06 | 2484.45 |
| 27 Health and Household (22) | 3567.47 | -0.5 | 5.43 | 2.43 | 21.00 | 35.00 | 3585.97 | 3635.31 | 3619.10 | 2402.33 |
| 29 Hotels and Leisure (23) | 1313.37 | +0.2 | 9.11 | 5.25 | 13.25 | 35.83 | 1311.04 | 1307.59 | 1303.37 | 1327.11 |
| 30 Media (26) | 1431.27 | -0.8 | 7.71 | 4.96 | 16.89 | 38.58 | 1443.52 | 1446.95 | 1442.56 | 0.00 |
| 31 Packaging, Paper & Printing (17) | 741.71 | -0.2 | 7.59 | 4.45 | 15.91 | 15.40 | 743.56 | 744.49 | 744.21 | 547.29 |
| 34 Stores (32) | 975.47 | +0.3 | 7.86 | 3.81 | 16.62 | 17.12 | 973.01 | 978.20 | 974.91 | 775.36 |
| 35 Textiles (9) | 589.63 | -0.8 | 8.52 | 5.26 | 14.58 | 14.09 | 594.44 | 595.50 | 593.68 | 460.78 |
| 40 OTHER GROUPS (109) | 1259.57 | ........ | 9.79 | 5.11 | 12.74 | 31.65 | 1260.23 | 1269.67 | 1264.93 | 1077.18 |
| 41 Business Services (12) | 1335.36 | ........ | 8.08 | 4.88 | 15.31 | 29.77 | 1334.56 | 1346.43 | 1350.13 | 0.00 |
| 42 Chemicals (21) | 1435.78 | -0.4 | 7.14 | 5.02 | 17.28 | 45.88 | 1442.15 | 1453.66 | 1442.81 | 1105.85 |
| 43 Conglomerates (10) | 1472.97 | +0.4 | 10.11 | 7.16 | 11.95 | 35.14 | 1466.71 | 1465.87 | 1447.83 | 1468.86 |
| 44 Transport (13) | 2282.45 | ........ | 8.27 | 4.67 | 14.98 | 50.50 | 2281.97 | 2291.03 | 2279.49 | 2090.48 |
| 45 Electricity (16) | 1196.20 | -1.1 | 14.61 | 5.43 | 8.75 | 24.04 | 1209.06 | 1217.57 | 1217.70 | 0.00 |
| 46 Telephone Networks(4) | 1510.96 | +0.1 | 9.77 | 4.02 | 13.39 | 28.34 | 1509.59 | 1531.83 | 1530.24 | 1161.10 |
| 47 Water(10) | 2378.56 | +0.7 | 17.12 | 6.47 | 6.47 | 118.37 | 2361.05 | 2362.29 | 2357.57 | 2029.89 |
| 48 Miscellaneous (23) | 1987.18 | +0.1 | 6.11 | 4.86 | 21.20 | 47.89 | 1985.64 | 1996.98 | 1991.40 | 1628.63 |
| 49 INDUSTRIAL GROUP (480) | 1263.16 | -0.1 | 8.83 | 4.53 | 14.02 | 28.00 | 1263.95 | 1274.84 | 1271.31 | 1086.14 |
| 51 Oil & Gas (20) | 2422.79 | +0.4 | 10.91 | 5.68 | 12.06 | 77.74 | 2412.53 | 2448.41 | 2465.07 | 2456.88 |
| 59 500 SHARE INDEX (500) | 1362.05 | ........ | 9.09 | 4.67 | 13.74 | 31.95 | 1362.06 | 1374.87 | 1372.72 | 1198.58 |
| 61 FINANCIAL GROUP (92) | 812.84 | -0.6 | - | 5.73 | - | 26.77 | 817.94 | 827.99 | 826.72 | 744.48 |
| 62 Banks (9) | 934.37 | -1.1 | 5.30 | 5.71 | 30.26 | 36.83 | 944.63 | 963.65 | 964.43 | 789.57 |
| 65 Insurance (Life) (7) | 1568.59 | +0.2 | - | 5.27 | - | 41.64 | 1564.93 | 1574.34 | 1567.44 | 1358.18 |
| 66 Insurance (Composite) (6) | 671.88 | -0.8 | - | 6.53 | - | 22.61 | 676.98 | 683.33 | 676.96 | 637.48 |
| 67 Insurance (Brokers) (9) | 1161.36 | +0.1 | 6.77 | 5.81 | 19.17 | 30.86 | 1160.08 | 1164.48 | 1159.86 | 903.49 |
| 68 Merchant Banks (7) | 441.90 | -0.8 | - | 4.74 | - | 12.16 | 445.64 | 446.31 | 446.35 | 397.61 |
| 69 Property (36) | 907.71 | -0.2 | 6.16 | 5.13 | 23.11 | 20.96 | 909.82 | 916.82 | 919.63 | 1024.46 |
| 70 Other Financial (18) | 251.29 | -0.2 | 11.42 | 7.21 | 10.96 | 7.99 | 251.79 | 251.75 | 251.79 | 273.57 |
| 71 Investment Trusts (69) | 1212.38 | -0.3 | - | 3.53 | - | 22.35 | 1216.03 | 1219.93 | 1219.80 | 1109.02 |
| 99 ALL-SHARE INDEX (661) | 1228.59 | -0.1 | - | 4.78 | - | 30.23 | 1229.72 | 1241.56 | 1239.67 | 1088.67 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Aug 9 | Aug 8 | Aug 7 | Aug 6 | Aug 5 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2569.4 | -1.2 | 2569.4 | 2556.7 | 2570.6 | 2600.6 | 2597.4 | 2573.3 | 2585.4 | 2219.5 |

### FIXED INTEREST

| PRICE INDICES | Mon Aug 12 | Day's change % | Fri Aug 9 | Accrued interest | xd adj. 1991 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 Up to 5 years (28) | 121.52 | -0.03 | 121.55 | 1.98 | 7.30 |
| 2 5-15 years (27) | 132.21 | -0.30 | 132.61 | 2.01 | 8.58 |
| 3 Over 15 years (9) | 140.94 | -0.45 | 141.58 | 3.12 | 6.83 |
| 4 Irredeemables (6) | 155.37 | -0.21 | 155.69 | 2.93 | 7.34 |
| 5 All stocks (70) | 131.21 | -0.22 | 131.50 | 2.13 | 8.08 |
| Index-Linked | | | | | |
| 6 Up to 5 years (1) | 161.10 | +0.24 | 160.71 | 0.84 | 2.72 |
| 7 Over 5 years (10) | 145.34 | +0.10 | 145.39 | 0.53 | 2.95 |
| 8 All stocks (11) | 146.37 | +0.10 | 146.40 | 0.55 | 2.94 |
| 9 Debs & Loans (58) | 110.29 | -0.03 | 111.58 | 1.60 | 7.16 |

| AVERAGE GROSS REDEMPTION YIELDS | | Mon Aug 12 | Fri Aug 9 | Year ago (approx.) |
|---|---|---|---|---|
| British Government | | | | |
| 1 Low | 5 years | 8.95 | 8.92 | 11.11 |
| 2 Coupons | 15 years | 9.74 | 9.70 | 11.11 |
| 3 (0%-7¾%) | 20 years | 9.74 | 9.70 | 11.11 |
| 4 Medium | 5 years | 10.11 | 10.06 | 12.20 |
| 5 Coupons | 15 years | 9.95 | 9.88 | 11.65 |
| 6 (8%-10¾%) | 20 years | 9.89 | 9.83 | 11.49 |
| 7 High | 5 years | 10.28 | 10.24 | 12.32 |
| 8 Coupons | 15 years | 10.06 | 9.99 | 11.93 |
| 9 (11%-) | 20 years | 9.95 | 9.90 | 11.78 |
| 10 Irredeemables | | 9.92 | 9.89 | 11.24 |
| Index-Linked | | | | |
| 11 Inflation rate 5% | Up to 5yrs. | 4.34 | 4.42 | 4.87 |
| 12 Inflation rate 5% | Over 5 yrs. | 4.38 | 4.39 | 4.25 |
| 13 Inflation rate 10% | Up to 5 yrs. | 3.45 | 3.52 | 3.80 |
| 14 Inflation rate 10% | Over 5 yrs. | 4.20 | 4.21 | 4.07 |
| 15 Debs & | 5 years | 11.71 | 11.72 | 13.83 |
| 16 Loans | 15 years | 11.47 | 11.46 | 12.76 |
| 17 | 25 years | 11.29 | 11.27 | 12.59 |

‡Opening index 2557.1; 9 am 2558.7; 10 am 2563.0; 11 am 2566.5; Noon 2567.2; 1 pm 2567.7; 2 pm 2567.2; 2.30 pm 2566.8; 3 pm 2564.9; 4 10 pm 2568.2; (a) 4.30pm (b) 8.48am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 2 | 56 | 25 |
| Corporations, Dominion and Foreign Bonds | 0 | 5 | 15 |
| Industrials | 256 | 249 | 1,002 |
| Financial and Properties | 111 | 167 | 462 |
| Oils | 18 | 16 | 54 |
| Plantations | 0 | 3 | 7 |
| Mines | 28 | 35 | 95 |
| Others | 57 | 44 | 60 |
| Totals | 472 | 575 | 1,720 |

### LONDON RECENT ISSUES

#### EQUITIES

[illegible]

#### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1991 High | 1991 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 88 | Nil | - | 1½pm | 1½pm | ♦Alan Paul 5p | 1½pm | |
| 200 | Nil | - | 7pm | 1½pm | City of Oxford Units | 1½pm | |
| 14 | Nil | - | ½pm | ½pm | ‡Explaura L/V 5p | ½pm | |
| 25 | Nil | - | 7pm | 1½pm | Hemingway Props. | 1½pm | |
| 35 | Nil | - | 12pm | 7pm | Howden Group | 10½pm | -½ |
| 97 | Nil | - | 18pm | 10pm | JLI Group 20p | 14pm | -½ |
| 25 | Nil | - | ¼pm | ¼pm | Mountleigh Group | ¼pm | |
| 47 | Nil | - | 2pm | ½pm | Scottish Value Tst. | ½pm | |
| 25 | Nil | - | 4½pm | ¾pm | Wheway | ¾pm | |

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. s Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. rr Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

### TRADITIONAL OPTIONS

● First Dealings Aug. 5
● Last Dealings Aug. 16
● Last Declarations Nov. 7
● For settlement Nov. 18

For rate indications see end of London Share Service

Calls: Burford Hldgs., Carlton Comm., Premier, Thames TV, Trafalgar House, Tuskar. Puts: None. Put & Call: Amstrad.

### LONDON TRADED OPTIONS

[illegible]

August 12 Total Contracts 17,128
Calls 9,436 Puts 7,693
FT-SE Index Calls 1,621 Puts 2,936
Euro FT-SE Calls 775 Puts 212
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

## UK COMPANY NEWS

# Ferranti's recovery suffers setbacks

By Charles Leadbeater, Industrial Editor

FERRANTI International is bogged down in a host of legal, technical and financial problems which have driven it to a pre-tax loss of £98.1m for the year to March 31 1991.

Although the figure shows a marked improvement on last year's £161.7m loss, the company's finances are still in a parlous state. This is in spite of a £46.8m rights issue in July last year, a sharp reduction in gross borrowings from £275m to £98.9m and disposals worth £95.7m.

Ferranti is yet to regain financial stability after the discovery of an alleged £215m fraud in 1989 involving the US International Signal and Control company, which it acquired in 1987.

Following the discovery of the fraud tighter management in Ferranti's continuing business has exposed other weaknesses within the group.

Significantly Ferranti has moved into loss at the operating level in spite of the closure of 16 sites and a cut in its workforce of more than 25 per cent. After exceptional charges of £65.4m the operating loss was £83.7m. This compared with a £112m loss after exceptional charges of £122.3m last time.

Turnover fell from £795m to £458m, with £300m of the fall due to the disposal of businesses. The reduction in net cash debt from £110m to £95m helped to cut interest charges from £50m to £15m. Mr Eugene Anderson, the company's chairman would not be drawn on when it might resume dividend payments.

The group is still beset with problems almost two years after the fraud was uncovered.

● Mr Anderson has reopened intensive talks with the group's bankers because it has defaulted on some of the technicalities of last year's deal which provided it with long term banking facilities to September 1992.

These technicalities have to be cleared up by November 9 through a further agreement to stabilise the company's banking facilities.

● The company's financial weakness is bound to force further restructuring. A clutch of businesses are up for sale. Among them is Ferranti's missiles business which has large contracts in the Gulf and a track record for high technology. The Gulf contracts are draining Ferranti's limited working capital.

● Ferranti's Houston-based FICC subsidiary on Friday filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code.

This followed legal action by two US electricity utilities Carolina Power and Light and Utah Power and Light to sue FICC over problems with the Ranger energy management system. Ferranti itself has guaranteed the performance of one of the disputed contracts and surety bonds for both.

Ferranti has made provisions of £53m against seven Ranger contracts which are worth $180m (£106m).

● Although Peat Marwick, the accountants, are paying Ferranti £40m in settlement of legal action over the alleged fraud, this is more than offset by extraordinary charges of £64.7m.

● Ferranti is still in dispute with GEC over the value of Ferranti's radar business which it sold to GEC last year for £270m to shore up its finances. GEC is claiming it paid £49.2m too much for the Ferranti assets.

See Lex

Trevor Humphries

Eugene Anderson: back in talks with the group's bankers

# Auditors and ambiguities

## Unanswered questions – David Waller reports

THE £40m settlement between KPMG Peat Marwick and Ferranti International removes the prospect of lengthy litigation between the electronics company and one of the UK's most distinguished firms of auditors.

To many, that will be a disappointment and not just because a major court case between these two parties would have been highly entertaining.

The outcome of the case could have helped to resolve considerable ambiguities over the role and responsibilities of auditors.

Sir Derek Alun-Jones, former Ferranti chairman, told disgruntled shareholders late in 1988 that in deciding to buy ISC in the first place, he and his board had relied to a great extent on the picture of rising profitability presented by the Peat Marwick-audited accounts of ISC.

The ISC figures had later proved to be grossly unrepresentative of the underlying commercial reality. "The general ability . . . to rely on audited accounts is fundamental to the conduct of commercial business," Sir Derek complained.

The writ which came afterwards dealt a blow to the very heart of the British accounting establishment. Peat Marwick is the second largest firm in the UK and as a measure of its standing it has been auditor and financial adviser to the British Royal family since before the first world war.

By coincidence, the profession was dealt a further public relations blow a month after the Ferranti writ when in February 1989 the House of Lords gave judgment in the landmark Dickman v Caparo case. This judgment was to have a close bearing on the Peat Marwick litigation.

The essence of this ruling was that auditors had no duty of care to non-shareholders. It followed that investors buying shares – even buying companies – on the basis of audited accounts, had no recourse against the auditors even if the accounts later proved to bear no resemblance to reality.

Although superficially beneficial to the accountancy profession, it soon became clear that it had done accountants a disservice. Questions were raised about the point of having an audit at all.

Many accountants thought that the Caparo decision would provide a good defence for Peat Marwick. More importantly, however, they hoped that the whole issue of Caparo and auditors' responsibilities would be tested in the courts.

With yesterday's out of court settlement, an opportunity for the law to be clarified has been missed and the larger questions of auditors' responsibilities – particularly their responsibilities where fraud is prevalent – have not been answered. Peat Marwick made its settlement yesterday without acknowledging any liability.

Accountants and their clients are likely to be puzzling over the significance of the pay out for some time to come. It was the largest single pay out made by an accountancy firm in the UK to a single plaintiff.

However, the amount is small in terms of the £400m damages which Ferranti let it be known that it would be looking for soon after the writ was served.

The pay out is unlikely to have any impact on the financial health of KPMG Peat Marwick, which generated £467m in fees in the UK last year.

The pay out is covered by the firm's professional indemnity insurance, subject to a "deductible" payable by the firm's 591 partners.

It is thought that the latter has been provided for already in the firm's accounts.

J.H. Minet, the largest insurance professional indemnity broker in the UK and broker to Peat Marwick, refused to comment on the settlement yesterday.

Other accountancy firms will be concerned that the pay out will affect their PI premiums.

# Institutions hold key to SD-Scicon bid outcome

By Alan Cane

THE BATTLE for control of SD-Scicon, the UK computing services company, looks set to remain a cliffhanger to the bitter end.

The closing acceptance date for the final 60p per share offer from Electronic Data Systems of the US is Saturday. One institutional shareholder, National Provident, has already said publicly it will not sell its 3 per cent stake at that price. Another, the Prudential, is understood to believe that the bid, which values SD-Scicon at £162m, is inadequate and has already decided against accepting the offer. The Prudential's stake is about 8 per cent.

The clinching vote, therefore, lies with Morgan Grenfell Asset Management with a 15 per cent stake and Philips & Drew with 3.5 per cent. Both said yesterday that they had yet to decide whether to accept the offer or not.

EDS, the information technology arm of General Motors, has already raised its offer by 25 per cent from 45p during the course of the battle. It holds about 36 per cent of SD-Scicon's stock, 25 per cent acquired from British Aerospace, SD-Scicon's former majority shareholder, at 45p per share; the rest was bought on the market at 60p.

The morale of SD-Scicon's management was boosted last month by a group of shareholders representing 48 per cent of the stock which publicly said that 45p was too low; the group includes Morgan Grenfell and Philips & Drew, however, whose support cannot necessarily be counted upon at 60p.

The issue now revolves entirely around price; SD-Scicon's management and its shareholders agree that a price of 80p-85p per share could not be resisted. EDS seems determined to stick at 60p. Its offer is final unless another company makes a competitive bid.

## £9m Asian buy for Inchcape

Inchcape, the international marketing and services group, is to buy the Asian medical and dental distribution businesses of a Jardine Strategic Holdings subsidiary for HK$120m (£9.08m).

The network distributes medical and dental equipment, pharmaceuticals and consumables to hospitals, laboratories, doctors and dentists in Asia.

## Two executives quit Brent Walker

Two executives have left Brent Walker, the leisure group in the midst of a £1.3bn financial reconstruction, and are in dispute over their severance terms.

Mr Alan Bobroff was a main board director and Mr George Kieffer has been running the group's casinos and amusement machines business.

### NEWS DIGEST

## Brandon Hire slides to £54,000

PROFITS of Brandon Hire were hit sharply by the recession during the year to end-April with the pre-tax figure falling from £967,000 to £54,000.

The decline came from turnover some 11 per cent lower at £4.83m – the USM-quoted company's principal activity is the hire of power and other tools and equipment.

Earnings declined to 0.87p (7.93p) but with an eye to the long-term future directors are proposing a same-again total dividend of 3.33p via a final of 2.22p.

## Radiant Metal deficit mounts

Losses of Radiant Metal Finishing rose from £71,146 to £169,002 pre-tax over the year to February 28. Turnover totalled £807,559 compared with £1.88m.

There is again no dividend – the last payment was 3p for the 1988-89 year.

## Hawtin acquires sunbed manufacturer

Hawtin, the Cardiff-based leisure goods and property concern, has acquired Ultrabronz in a two-part deal.

Ultrabronz claims to be the largest British manufacturer of sunbed and tanning equipment.

Hawtin has paid £75,490 through the issue of 603,920 shares and will make a further payment at an unspecified date related to Ultrabronz's profit performance.

It made a pre-tax profit of £38,560 on turnover of £1.2m in the financial year to end-May 1991.

## Howard Holdings lapses into losses

The current difficulties of the construction industry were again illustrated yesterday when Howard Holdings announced a taxable deficit of £494,795 for the year to end-April.

The outcome at the south London-based property development and plant hire group was struck after a £600,000 write-down in development land values and plant hire bad debts of £300,000. In the previous 12 months the group achieved profits of £1.06m.

Group borrowings fell by £1.7m to £4.5m leading to a decline of £400,000 to £900,000 in interest charges.

Group turnover dipped 32 per cent to £7.04m (£10.3m). Losses per share emerged at 1.19p, against earnings of 2.4p, and the proposed final dividend is cut to 0.5p (0.9p) for a total of 0.5p (1.5p).

### DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Brandon Hire § ........fin | 2.22☆ | Oct 31 | 2.22 | 3.33 | 3.33 |
| Howard Hldgs ........fin | 0.5 | Oct 16 | 0.9 | 0.5 | 1.5 |
| Pearson ........int | 10.75☆ | Nov 1 | 10.75 | - | 23.25 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- De Beers Consolidated Mines, Expamet International, Forwell, General Accident, Kalon, Kleinwort Overseas Investment Trust, Manchester Ship Canal, Pacer Systems, Takare.

Finals- Scottish Cities Investment Trust, Williamson Tea.

FUTURE DATES

| | |
|---|---|
| Interims- | |
| Associated Fisheries | Aug. 20 |
| Bowthorpe | Sep. 13 |
| Clarke (T) | Aug. 22 |
| Dewhirst | Aug. 22 |
| Erith | Sep. 11 |
| Fife Indmar | Aug. 27 |
| Hibernian | Sep. 24 |
| Kerry | Aug. 20 |
| Kleinwort Smaller Co's | Sep. 11 |
| Laing (John) | Sep. 12 |
| Latin American Inv Tst | Aug. 21 |
| Martin-Jet Green Inv | Aug. 15 |
| Provident Financial | Sep. 5 |
| Prudential | Sep. 11 |
| Scholl | Sep. 3 |
| Seacon | Aug. 20 |
| Thomson-Corporation | Aug. 15 |
| Wilson Bowden | Sep. 5 |
| Finals- | |
| Abingworth | Aug. 14 |
| Dana Exploration | Sep. 27 |
| Heath (Samuel) | Aug. 14 |
| Jos | Aug. 21 |
| Stavert Zigomala | Aug. 22 |
| Whinney Mackay-Lewis | Aug. 14 |



# Liberty shares surge by 90p and spark takeover speculation

By Michiyo Nakamoto

SHARES IN Liberty, the high street retailer and manufacturer of printed textiles, surged 17 per cent yesterday on buying by a UK broker that fuelled speculation of a bid for the group.

The shares rose by 90p to 605p on a buying raid by James Capel, which confirmed that it was a buyer of the shares at 600p.

Market speculation suggested that the buyer was Ryohin Keikaku, a Japanese retailer with which Liberty recently opened a joint venture shop in London.

Two top UK retailers – Aquascutum and Daks Simpson – were both acquired recently by Japanese companies.

However, Mr Harry Weblin, chairman and chief executive of Liberty, said it was unlikely that the Japanese group was behind yesterday's rise.

"If they were they would have talked to us," he said.

Japanese companies rarely buy into a company through the market and when they do it is almost always with the consent of the company concerned.

Ryohin Keikaku is part of the Seibu group of companies which has had a business relationship with Liberty since the early 1970s.

Mr Sueaki Takaoka, chairman of the Seiyu Group, the core company within the Seibu concern, said recently that acquiring a stake in Liberty was not central to the group's long-term plans.

Liberty said it was not particularly concerned about yesterday's buying since the founding families control over 50 per cent of the shares and hold them very tightly.

Although James Capel would not disclose how many shares it obtained yesterday, marketmakers said few shares actually changed hands as sell offers evaporated once the buying became known.

# Southwestern Bell takes Oyston Cable minority

By Raymond Snoddy

SOUTHWESTERN BELL, the US telephone company, is expanding its cable television interests in the UK by paying £2.99m for Mr Owen Oyston's remaining 18 per cent stake in Oyston Cable Communications.

The US company already holds 80 per cent of the cable group, which has six franchises covering 698,000 homes in the north west of England.

The price of the deal amounts to £21 for every home in the franchise areas.

Southwestern Bell also owns Midlands Cable Communications, which has two franchises in the West Midlands and Telford with 540,000 homes.

The deal comes less than two weeks after Mr Oyston – a flamboyant Lancashire entrepreneur – resigned as chairman and chief executive of Trans World Communications which owns local commercial radio stations in Manchester, Leeds, Preston and Cardiff.

Southwestern acquired its 80 per cent holding from Mr Oyston and associates in 1989, and its additional purchase underlines the growing dominance of US interests in the British cable television industry.

The British cable stakes are held by Southwestern Bell International Holdings, a subsidiary of Southwestern Bell of St Louis, Missouri, one of the world's largest telecommunications companies.

# HLS founder controls near-4% stake in WPP

By Alice Rawsthorn

WPP GROUP, the world's largest marketing services company, has gained a substantial shareholder in Mr Edward Calesa, the founder of one of its US marketing consultancies, who now holds nearly 4 per cent of the equity.

Mr Calesa, the founder and former head of HLS Corp, a New Jersey-based communications company specialising in the healthcare market, became the owner of 3.47 per cent of WPP's shares on Friday as part of the deferred payment on the sale of HLS. The new shares have increased his overall holding in WPP to 3.8 per cent. Under the terms of the acquisition agreement he is not allowed to sell them for at least three years.

WPP made an initial payment of $25.7m (£15.1m) for HLS when it bought the business in 1988. WPP was forced to negotiate an emergency financial restructuring package earlier this year, and reported a fall in pre-tax profits from £46m to £15.9m for the six months to June 30.

Its shares yesterday fell by 5p to 104p. They have have fluctuated in recent weeks on fears that WPP is in danger of breaching its new banking facilities and might be forced to stage a rights issue.

# Allders agrees finance package

By John Thornhill

ALLDERS, the department store chain and duty-free shopping group which has been plagued by rumours of trading difficulties, has agreed a long-term refinancing with its bankers and shareholders.

The company, which was taken private after a £224m buy-out from Hanson in 1989, originally intended to return to the market within four years paying off the bulk of its borrowings at the time of flotation.

However, tough retail conditions, an unreceptive stock market and the difficulties of staging sale and lease-back deals in the current property market have forced the company to postpone those plans.

Mr Tony Collyer, finance director, said: "We had no trading difficulties or short-term cash flow problems but we did have a structural concern where we had some fairly chunky debt repayments coming up in two to three years time and we had to find a means of paying them. It would have been unwise to bet the future of the group on a possible flotation before 1994."

In March Allders appointed Schroders to negotiate a restructuring, the main elements of which include:

● The injection of £10m in fresh equity – underwritten by Prudential Venture Managers, 3i and CIN Venture Mangers.

● The extension of the repayment of £120m of bank debt until 1999 with no principal payments becoming due until 1994.

● The repayment of a £20.8m bridging loan from Hanson.

Hanson will retain a 5 per cent interest in the ordinary equity following the restructuring.

Allders said that trading profits in the current year were expected to cover interest payments and that cash flow had remained strong. Cash balances currently stand at about £30m. In the previous year to September 30 1990, the company recorded trading profits of £21.2m covering interest payments of £18.8m.

# Still waiting for the bite that will deliver the promised goods

**David Owen** takes a look at the mounting impatience at BTR over its delayed acquisition policy

THE CITY is beginning to wonder whether Mr Alan Jackson is all bark and no bite.

We are more than 200 days into the straight-talking Australian's stint as chief executive of BTR and he has still not delivered the large acquisition that the UK industrial conglomerate needs and that he has promised so enthusiastically, in spite of yesterday's £117.5m disposal of the group's Pretty Polly hosiery business.

Admittedly, these are fiendishly difficult times for takeovers but impatience is mounting and this is adding to the pressure on the group to get one right after abortive tilts at Pilkington, the glassmaker, and Norton Group, the US abrasives, ceramics and performance plastics manufacturer.

Expectations had been lifted following Mr Jackson's appointment last December by his formidable track record at the head of BTR Nylex, the company's Australian offshoot. After his appointment to BTR's UK board in 1984, sizeable Asian acquisitions proceeded at the rate of about one a year.

But the boldest step he has taken this year is to appoint 34-year-old Ms Kathleen O'Donovan as finance director in succession to Mr Christopher Bull, who was head-hunted by RTZ Corporation, the world's largest mining company. This has left the City's deal-starved financiers – their appetites whetted by the possibility of a Hanson bid for Imperial Chemical Industries – slavering for Mr Jackson to demonstrate similar nerve in his acquisitions policy.

But if the lack of bids and deals has been a disappointment, the chief executive can point to a degree of success in other areas.

In particular, he has proved adept at keeping BTR's relative share performance buoyant (see charts). He has achieved this, essentially, by telling a variety of good tales about his intentions which have helped to keep the group in the public eye, while distracting attention from its underlying operating performance.

Selected highlights have included the following:

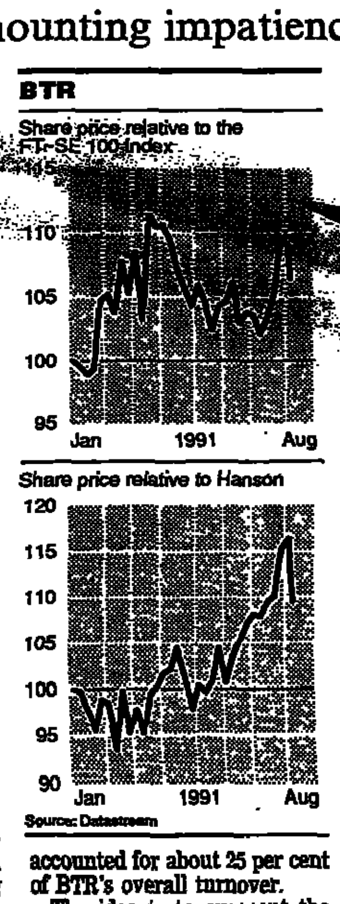
● In March, he promised that BTR would become more of an asset broker than it has been hitherto, being prepared to sell group businesses where room for improvement is limited and to buy companies with a view to reselling up to 30 per cent of their assets.

This has been interpreted by some analysts as heralding the sale of BTR's intrinsically low-margin distribution businesses, several of which were acquired with the purchase of the Thomas Tilling Group in 1983.

Prominent BTR distribution companies include ACI America, Graham Builders Merchants, Newey & Eyre and Summers Electric. According to Nomura Research Institute, distribution accounted for about £1bn, or 14.8 per cent of 1990 sales.

● In June, he outlined plans to institutional investors in Frankfurt and Zurich to turn six of the group's businesses into bona fide global operations. The earmarked half dozen were packaging, paper, aerospace, sealing, valve and automotive. Last year, they accounted for about 25 per cent of BTR's overall turnover.

BTR





Source: Datastream

The idea is to augment the strength of each business in the geographic areas where it is weakest. Packaging, for example, is concentrated in Australasia and Asia. Aerospace, sealing and valves, by contrast, are located essentially in Europe and North America.

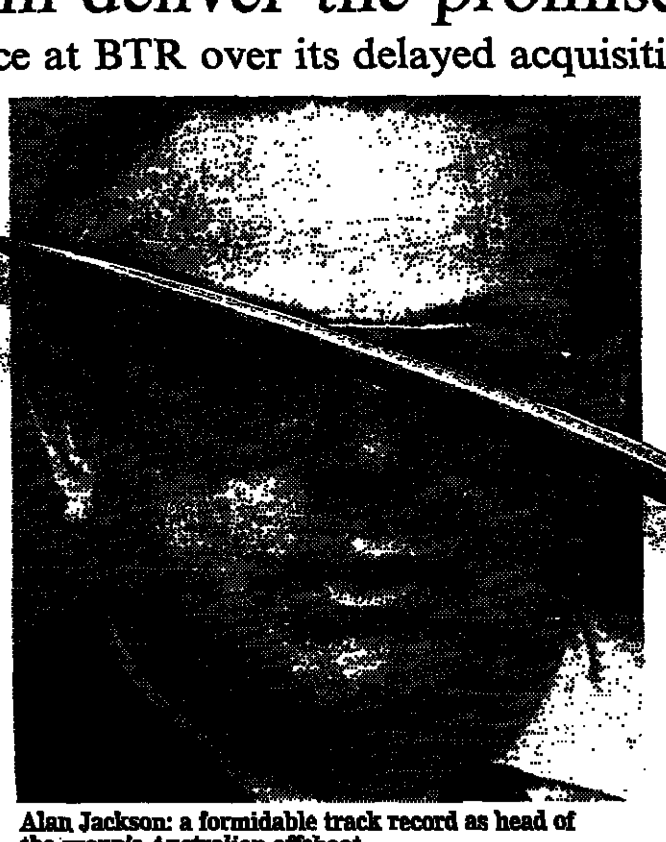
Acquisition is seen as merely one means among three of achieving this end. The others are orthodox joint ventures – particularly in the automotive sector – and improved information and technology transfer within the group.

"We are now growing an 'information culture' . . . to encourage the cross-flow of business knowledge," Mr Jackson told the European investors.

"This process will lead to the identification of opportunities for new marketing initiatives or technology transfer and licencing arrangements," he said.

● Last month he also surprised observers by hinting strongly that the group's next acquisitive sortie would be in the field of European glass and plastic packaging.

This was seen as a somewhat puzzling departure from BTR's traditional approach to takeovers. "Owen never signalled anything in his life," commented one adviser, referring to Sir Owen Green, the company's chairman.



Alan Jackson: a formidable track record as head of the group's Australian offshoot

Analysts have since pinpointed CMB Packaging, the Anglo-French cans and plastic bottles group, as the most likely candidate. This would, however, depend on the willingness to the deal of Compagnie Générale d'Industrie et de Participations (CGIP) and MB-Caradon, CMB's two controlling shareholders.

A more unlikely but highly alluring prospect would be for BTR to launch a bid for Saint-Gobain. This would be a case of revenge is sweet, since the French glass and industrial materials group pipped BTR at the post for Massachusetts-based Norton just over a year ago.

The problem is that Mr Jackson's sterling efforts may start to fall victim to the law of diminishing returns. That is to say that if a significant move fails to materialise, an increasing number of words may be needed to provide a given level of stimulus to the share price.

With no major deal cemented by the end of June, Mr Jackson is already faced with presenting in September a set of interim figures unadulterated by a recent purchase.

This will presumably apply even if the immediate spotlight is stolen by a big buy between now and then. It is hard to believe, in the light of unfavourable currency fluctuations, redundancy costs and the group's exposure to the depressed automotive and construction sectors, that these numbers will be anything other than lacklustre.

Mr Jackson, in short, still has it all to prove.

## COMMODITIES AND AGRICULTURE

# Traders await assessment of damage to US crops

By Nancy Dunne in Washington

TRADERS WERE waiting anxiously yesterday for the US Department of Agriculture crop report, which would give some official indication of the damage done to grain yields by drought and a host of other weather problems.

Mr Edward Madigan, the US agriculture secretary, last week told journalists that, despite recent rains, the maize crop is "deteriorating quickly". The department has been overwhelmed with requests for disaster relief from farmers hurt by floods and drought, but aid may not be sent until after the autumn harvest.

The maize crop was originally forecast by the USDA at 8.2bn bushels, but yields are expected to fall significantly in Iowa, Illinois, India and Ohio. Private analysts believe drought in the Midwest will cut output below 7.5bn bushels, down from 7.9bn bushels last year.

Maize and wheat have suffered more this year than soyabeans. However, private analysts are also lowering their estimates of the soyabean crop to about 1.83bn bushels, down from 1.92 harvested last year.

A reduction in the maize crop means more wheat will be used for feeding. In July, the USDA projected the total 1991 wheat crop at 2.032bn bushels. It reduced its estimate of the winter wheat crop by just over 88m bushels, with about 62-63m of that decrease due to the soft red winter wheat problems.

Although the USDA is expecting a respectable 1991-92 wheat carryover of between 900m and 1bn bushels, wet weather followed by unseasonable heat has took a toll on soft red winter wheat, which usually comprises one-fifth of the total crop. Mr Barry Jenkins, a spokesman for the National Association of Wheat Growers, said much of the red winter has been plagued by fungi disease. "Grade A Number One usually weighs 60 lb [a bushel]," he said. "We're getting test weights of 30 lb."

In the Northwest, cold weather killed much of the white winter wheat crop. It was replanted in the spring, but the spring wheat generally has lower yields. The USDA last month projected a spring wheat crop of 556m bushels, larger than had originally been expected.

● The South African Maize Board has announced a sliding scale of prices farmers can expect in the coming season, ranging from R387 (£70) a tonne (with total deliveries of 6.5m tonnes) to R297 (at 11m tonnes).

# When eucalyptus tastes better than coffee

**Victoria Griffith** discovers why some Brazilians are replacing cash crops with timber

MR ROBERTO Favero's plantation in the Sao Paulo countryside is taking on a new look these days.

The Brazilian farmer is pulling up the coffee bushes his family has grown for generations, and planting a new crop – eucalyptus trees. "Coffee prices are low," explains Mr Favero. "But you can make a good living out of eucalyptus."

All over Brazil, farmers are abandoning unprofitable crops such as coffee and oranges and making room for forests. The explanation is simple, according to Pedro Camargo Neto, president of the Brazilian Rural Society: "Wood is one of the few products which is not heavily subsidised in other parts of the world. . . So Brazil can compete on an equal basis."

A few weeks ago, the Brazilian forestry industry got a boost with the government's decision to allow exports of raw lumber from non-indigenous Brazilian trees such as eucalyptus and pines. Brazil's farmers currently produce just one third of the wood used by the country's pulp and paper industries.

But Ibama, the governmental environmental agency, believes that a larger international market will augment their production.

"The new export rule will provide more incentives for tree cultivation," says Antonio Carlos do Prado, planning secretary at Ibama.

Previously, both native and exotic lumber was forbidden from export in an attempt to protect Brazil's rain forests and wooded areas.

But according to Mr Prado, the measure backfired. Export restrictions kept domestic prices artificially low, boosting demand for wood products without encouraging an increase in supply. "With fewer restrictions on exports," says Mr Prado, "domestic prices should fall more in line with international levels, which are substantially higher. And that should boost supply at home."

Tree-growing conditions in Brazil are among the best in the world, according to Mr Marcos Antonio Fujihara, president of the National Association of Paper Producers. "We can grow eucalyptus trees suitable for harvesting within a seven year period," he says. "That gives us a clear advantage over countries such as the US, where a forest can take 30 years to mature."

According to Mr Fujihara, Brazil's tropical climate facilitates the growth of trees. Long hours of sun and year-round warm weather produce continuous growth. Moreover, Brazil's soil, which holds minerals deep in the earth, is ideal for trees.

The main problem forest cultivation presents to farmers is the long amount of time it can take to reap a profit. "It takes years for a forest to grow," said Mr Fujihara. "Large industries are better equipped than farmers to make that kind of medium term investment." Mr Prado of Ibama pointed out that even after harvesting, wood products are slow to come to market. "Only bigger farmers are likely to make the switch from other crops to trees," he concedes. "After cutting, the drying process itself can take 40 days, which is a long time in the agricultural sector."

But Mr Favero points out that many of Brazil's farmers have long experience with eucalyptus. "Coffee growers have cultivated eucalyptus for years for their own use," he says. He adds that eucalyptus leaves can be sold at a good profit for their oil.

Mr Prado believes a lack of credit has discouraged farmers from entering forestry in the past.

For that reason, Ibama is offering farmers $3m in aid to help them get started. State governments are also creating incentives for the industry through tax breaks and state credit.

As the industry grows, Mr Prado believes it will gain more and more momentum. "Right now," he explains, "things like transportation of the wood can be expensive. But with more farmers in the industry, they will be able to form cooperatives and bring down their costs."

For that reason, Mr Prado believes that forestry will eventually constitute a major source of income for Brazil's agriculture sector. "In one to two years, domestic prices for wood products will catch up with international prices," he predicts.

"And the resulting boost in supply should augment our share of the international forestry market."

# Concern over biotechnology research

Farmers and food supplies could suffer, writes **Geoff Tansey**

FARMERS COULD suffer from present trends in biotechnology, which might also increase the vulnerability of food supplies. So say about 15 non-governmental organisations from 15 European countries, which discussed genetic resources and biotechnology at a recent meeting in Barcelona.

The 70 participants represented farmers, consumers, researchers, environmental groups and Third World development project agencies.

Biotechnology is one of the fastest growing areas of technology. It allows scientists to manipulate animals and plants by taking genes for a particular characteristic – e.g. plants, drought tolerance, resistance to a certain pest or pesticide – and transferring them to another plant, not necessarily in the same species.

The danger comes from the way technology is being controlled and the direction research is (Grain), which organised the meeting, and author of Biotechnology and the Future of World Agriculture.

Most biotechnology research will benefit large multinational companies in the industrialised countries, he claims. They have already bought up most of the small seed companies following the introduction of Plant Breeders Rights and are now pressing for patent legislation to be extended to living organisms so that they control the technology.

Farmers could find themselves locked into using pesticide tolerant plants that tie them to particular chemical treatments and having to pay to resow seed they have grown themselves if it contains a gene put in by a company, says Mr Hobbelink. Some developing countries could find their products no longer needed as companies develop substitutes that can be factory-produced, for example for vanilla and cocoa butter, he warns.

Need should be a crucial criterion in determining research strategy, believe the non-governmental organisations, with need broadly defined in relation to the environment and society as a whole.

**The danger comes from the way technology is controlled and the direction research is taking, believes Mr Henk Hobbelink of Genetic Resources Action International**

Patent protection – originally designed for industrial products – for living organisms is privatising further a common global asset previously freely shared, they argue. In developing new varieties, the plants used as sources of genes have often been developed by small farmers in developing countries, who get no reward, or they grow wild in developing countries and are part of their natural heritage.

The non-governmental organisations want to see biotechnology research geared to reducing input requirements and enhancing genetic diversity.

Too much public research money benefits private companies through the various programmes like the European Community's Eureka project while other types of research that would help many more of today's poor farmers were neglected, says Mr Hobbelick.

"Simple mass selection to improve local varieties is one example at under-supported research," he says. "Work on enhancing multiple cropping and rotation techniques, rationalisation of the use of wild plants in local diets and the upgrading of traditional crop protection practices, are just a few others."

The non-governmental organisations called for a halt to any further moves to patent biological processes until after the UN conference on the environment in June 1992 in Brazil which is due to produce a global convention for the conservation and utilisation of biological diversity.

They saw the development of new biotechnology-based clones and varieties as posing a further threat to the world's genetic resources. These could increase the vulnerability of food supplies, for example, if resistance to pests or disease based on a single gene is introduced to a wide range of crops.

The organisations want farmers and growers more involved in protecting the world's gene bank, whose capital base is eroding rapidly. The 300 strong Austrian group Noah's Arc – one of several seed saver groups in Europe – is in danger of sinking and an appeal to save it was launched at the meeting.

The meeting also appealed to Germany's Chancellor Kohl to keep open the Gatersleben plant genetics institute in what was East Germany as it "has one of the best and most dynamic gene banks in the world" and is particularly good at sharing its materials.

Relatively high-tech national gene banks – basically large cold stores for seeds – have been set up in developing countries with help from the Rome-based International Board for Plant Genetic Resources. Such gene banks are necessary as a last resort, but they are not enough, according to Rudiger Stegemann of African Seeds of Survival.

He wants seeds preserved, produced and improved in farmers' fields as well as kept in gene banks. This keeps the variety alive and allows it to be developed further by farmers.

Now the IBPGR is taking notice and is developing a new strategy that will include this kind of work by small farmers according to their observer at the meeting, Ms Ruth Raymond. After decades of relative hostility between the non-governmental organisations and the board they are now set to discuss ways of developing a farmer-based approach with the organisations as part of their genetic resources protection strategy.

# India expects another bumper jute crop

By Kunal Bose in Calcutta

INDIAN GOVERNMENT officials are now hopeful that the 1991-92 jute harvest will at least equal last season's bumper crop of 9m bales (180 kg each).

Mr R.N. De, the country's jute commissioner, said yesterday that improved weather had enabled the crop to recover from early season setbacks when drought conditions delayed sowing and affected the growth of jute plants in some important growing centres. As only about 25 per cent of the land under jute is irrigated, the crop's size and quality heavily depend on adequate rainfall.

Had the weather been favourable for sowing in April and May India's 4m jute farmers, who received highly remunerative prices last year, would have brought additional land under the crop. Instead, the area sewn in West Bengal, which usually accounts for about 60 per cent of the country's raw jute production, shrank by 5 per cent.

That shrinkage has been compensated, however, by a noticeable improvement in productivity because of better agricultural practices. Timely availability of good quality seeds, fertilisers and pesticides in adequate quantities also helped, according to Mr De.

Market arrivals of raw jute, now at about 60,000 quintals (6,000 tonnes) a day should rise steadily to reach a peak of 100,000 quintals a day by the middle of October.

Jute mills, which are increasingly going in for the production of the more remunerative finer yarns and fabrics, are quite pleased with the general quality of the 1991-92 crop.

Mr De says that nearly 70 per cent of the current crop is of better than average quality, the reverse of the position five years ago. This has been achieved largely as a result of the extension work done by the central government to promote jute cultivation on scientific lines.

Mr De explains that the marked improvement in the quality of the crop is helping both the farmers, who are getting a good premium over the statutory minimum price, and the jute mills, which can now produce a larger percentage of fine hessian and decorative fabrics.

For the production of finest varieties of jute yarn and fabrics, the Indian industry continues to depend on fibre grown in Bangladesh. Export demand is greater for hessian and other finer fabrics than heavy sacking.

The total supply of raw jute in the current season will be 10.8m bales, including 1.8m bales brought forward from last season. To this amount may be added the possible import of 200,000 bales of fibre from Bangladesh.

Mr De believes that Indian mill consumption of fibre will be at least 8.4m bales in the current year, compared with 8.2m bales in 1990-91 when production of jute goods increased by 140,000 tonnes to 1.44m tonnes.

Production of jute goods, say industry officials, will rise further in 1991-92 as raw jute is plentiful. Because of the upturn, most of the closed mills have reopened.

The Indian authorities and the trade agree that the country will be left with enough stocks of raw jute after meeting the industry's requirements and village level consumption of about 450,000 bales. Some of this surplus could be exported for hard currency.

Under bilateral trade agreements, India regularly exports about 50,000 bales of jute to the Soviet Union and some East European countries.

Following the devaluation of the Indian currency it should be possible to export about 300,000 bales of fibre to hard currency countries without subsidy. The office of the jute commissioner has asked the trade to submit concrete export proposals, according to Mr De.

# Ekofisk gas output delayed after fatal crash

By Karen Fossli in Oslo

PHILLIPS PETROLEUM Norway, a subsidiary of the US-based Phillips Petroleum Company, which operates the Norwegian North Sea Ekofisk complex, said yesterday that crude oil production from the field will gradually resume as planned on August 17, but natural gas production could be delayed after a helicopter crashed on Saturday on one of the platforms, killing three men.

The Ekofisk complex had been closed for routine annual maintenance when a Bell 212 helicopter crashed while assisting in the work on the bridge-linked Statpipe riser platform after flying too close to the flare tower.

Ekofisk normally produces about 550,000 barrels of crude oil and an average 2bn cubic feet of gas a day.

But Phillips estimates that oil production will start at between 200,000 and 300,000 b/d. Gas production could resume three to five days after oil comes on stream if weather remains favourable.

Production has been down since August 1, when maintenance began. Statpipe, a gas pipeline operated by Statoil, the Norwegian state oil company, transports gas from the Gullfaks, Statfjord and Heimdal fields to the Kaarstoe terminal on the Norwegian west coast. From there some of the gas is transported via the Ekofisk complex to Emden, Germany.

Phillips is assisting an investigation of the accident by Norway's Commission for Aviation Safety and the Norwegian Petroleum Directorate, the oil and gas watchdog.

The three killed were employed by Norway's Helicopter Services, a company listed on the Oslo stock exchange.

## WORLD COMMODITIES PRICES

## MARKET REPORT

ROBUSTA coffee futures eased at the London Futures and Options Exchange in a day of mainly cross trading. "When you take out the crosses there's been little outright trading," said one dealer. Near November fell £9 to £527 a tonne while other months slipped either by £8 or £3. Volume in London totalled about 4,500 lots, 3,200 of which were cross trades. On the London Metal Exchange copper prices eased back on news that Codelco was optimistic about ending the present strike at El Teniente, the world's second-largest copper mine. However, seven of the eight unions at the mine later said they had rejected the latest offer, presented yesterday. Three-month copper closed £2 a tonne down at £1,343.25. Aluminium slipped slightly even though International Primary Aluminium Institute statistics showed a slowing in the rate of increase in stocks at smelters, which were up by 21,000 tonnes, while there was a drop of 34,000 tonnes in unwrought metal stocks. Traders suggested that aluminium might have been shipped from stocks in Brazil because the country's Albras smelter had suffered potline damage and some metal was not of LME quality during the second quarter.

*Compiled from Reuters*

## London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $16.35-6.40u | +0.10 |
| Brent Blend (dated) | $19.60-9.70 | +.075 |
| Brent Blend (Sep) | $19.60-9.65 | +0.10 |
| W.T.I. (1 pm est) | $21.65-1.70u | +0.10 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $243-251 + | +3 |
| Gas Oil | $189-190 | +2 |
| Heavy Fuel Oil | $69-71 | |
| Naphtha | $204-208 | +5 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $358.35 | |
| Silver (per troy oz)♣ | 397.0c | -0.5 |
| Platinum (per troy oz) | $354.75 | +2.50 |
| Palladium (per troy oz) | $84.55 | +0.55 |
| Copper (US Producer) | 107c | |
| Lead (US Producer) | 50c | |
| Tin (Kuala Lumpur market) | 15.41r | -0.01 |
| Tin (New York) | 263.0 | -0.5 |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 107.35p | -0.01* |
| Sheep (dead weight)† | 125.31p | +3.70* |
| Pigs (live weight)† | 82.84p | -0.57* |
| London daily sugar (raw) | $245y | -8 |
| London daily sugar (white) | $333y | -3 |
| Tate and Lyle export price | £293.5 | -4.5 |
| Barley (English feed) | £109 | |
| Maize (US No 3 yellow) | £178.5 | |
| Wheat (US Dark Northern) | £101.5 | |
| Rubber (Sep)♥ | 52.25 | |
| Rubber (Oct)♥ | 52.75 | |
| Rubber (KL RSS No 1 Sep) | 227.5m | -0.5 |
| Coconut oil (Philippines)§ | $475q | |
| Palm Oil (Malaysian)§ | $350 | |
| Copra (Philippines)§ | $300 | +10 |
| Soyabeans (US) | £153 | +1 |
| Cotton "A" index | 73.90 | -0.66 |
| Wooltops (64s Super) | 367p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Oct/Dec u-Sep x-Jul/Aug y-Aug/Sep z-Aug |-Oct/Nov. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 190.40 | 203.00 | 201.00 | 187.40 |
| Dec | 185.00 | 195.00 | 190.00 | 180.00 |
| Mar | 180.40 | 191.00 | 189.00 | 176.00 |
| May | 184.80 | 193.40 | 190.00 | 184.00 |
| Aug | 187.80 | | 189.00 | 187.00 |
| **White** | **Close** | **Previous** | **High/Low** | |
| Oct | 277.5 | 288.0 | 289.5 | 277.0 |
| Dec | 267.0 | 278.0 | 277.4 | 269.0 |
| Mar | 266.0 | 275.5 | 275.3 | 265.0 |
| May | 266.4 | 275.4 | 275.8 | 265.0 |
| Aug | 267.9 | 276.4 | 268.0 | 266.5 |
| Oct | 250.5 | 259.8 | 250.0 | |

Turnover: Raw 1269 (980) lots of 50 tonnes. White 2035 (670)
Paris- White (FFr per tonne): Sep 1955

**CRUDE OIL – IPE** $/barrel

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 19.60 | 19.60 | 19.74 | 19.59 |
| Oct | 19.73 | 19.65 | 19.79 | 19.64 |
| Nov | 19.77 | 19.67 | 19.82 | 19.70 |
| Dec | 19.76 | 19.62 | 19.80 | 19.74 |
| IPE Index | 19.55 | 19.56 | | |

Turnover 11911 (23508)

**GAS OIL – IPE** $/tonne

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 185.25 | 185.75 | 188.00 | 185.00 |
| Sep | 186.75 | 186.25 | 188.50 | 186.50 |
| Oct | 188.25 | 187.75 | 189.50 | 187.75 |
| Nov | 190.00 | 189.25 | 190.75 | 189.25 |
| Dec | 191.00 | 190.00 | 191.25 | 190.00 |
| Jan | 188.00 | 188.00 | 190.25 | 188.00 |
| Feb | 183.50 | 183.50 | 184.00 | 183.00 |
| Mar | 177.00 | 177.00 | 177.00 | |
| Apr | 173.50 | 174.00 | 174.00 | 173.50 |

Turnover 11884 (20803)lots of 100 tonnes

**TEA**

There was strong general demand this week, reports the Tea Brokers' Association. A limited selection of bright liquoring teas remained fully firm but mediums proved irregular and barely steady except for pekoe dusts which attracted improved competition. Central African teas met rather less support and tended easier. Ceylons sold readily at little change in rates. Offshore teas showed good demand with brighter descriptions mainly firm but plainer sorts irregular and easier. Quotations: quality 135p, medium 100p, low medium 78p.

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 664 | 658 | 669 | 657 |
| Dec | 699 | 697 | 707 | 693 |
| Mar | 731 | 731 | 739 | 726 |
| May | 749 | 751 | 754 | 745 |
| Jul | 766 | 770 | 773 | 764 |
| Sep | 785 | 789 | 794 | 782 |
| Dec | 809 | 816 | 818 | 809 |
| Mar | 833 | 839 | 840 | 834 |
| May | 848 | 856 | 858 | 848 |
| Jul | 864 | 874 | 871 | 858 |

Turnover: 3796 (3140) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 9 844.79 (832.64) 10 day average for Aug 12 841.07 (839.12)

**COFFEE – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 505 | 513 | 515 | 503 |
| Nov | 528 | 536 | 539 | 527 |
| Jan | 549 | 557 | 559 | 547 |
| Mar | 566 | 574 | 574 | 569 |

Turnover:4415 (6865) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 9 : Comp. daily 62.87 (62.92) 15 day average 63.53 (63.62)

**POTATOES – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 85.0 | 85.0 | 85.0 | |
| Nov | 85.0 | 83.0 | 85.0 | |
| Apr | 105.9 | 107.5 | 108.0 | 105.0 |

Turnover 108 (398) lots of 20 tonnes.

**SOYAMEAL – London FOX** £/tonne

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 133.50 | 134.50 | 134.00 | 133.50 |

Turnover 50 (35) lots of 20 tonnes.

**FREIGHT – London FOX** $10/index point

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 1543 | 1525 | 1540 | 1530 |
| Sep | 1625 | 1639 | 1643 | 1615 |
| Oct | 1678 | 1670 | 1680 | 1669 |
| Jan | 1687 | 1675 | 1690 | 1675 |
| BFI | 1473 | 1456 | | |

Turnover 262 (227)

**GRAINS – London FOX** £/tonne

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 111.40 | 111.50 | 111.40 | |
| Nov | 115.30 | 115.30 | 115.30 | 115.10 |
| Jan | 118.75 | 118.70 | | |
| Mar | 122.20 | 122.15 | | |
| **Barley** | **Close** | **Previous** | **High/Low** | |
| Sep | 109.65 | 109.65 | | |
| Nov | 113.65 | 113.65 | | |

Turnover: Wheat 48 (228), Barley 0 (82).
Turnover lots of 100 tonnes

**PIGS – London FOX** (Cash Settlement) p/kg

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 89.0 | 90.0 | 89.0 | |
| Oct | 99.0 | 99.2 | 99.0 | 98.1 |
| Feb | 103.0 | 104.0 | 102.5 | |
| Mar | 105.0 | | 104.5 | |
| Apr | 106.0 | | 106.0 | |

Turnover 51 (62) lots of 3,250 kg

**BGMI – London FOX**

| | Close | Prev. | High | Low | Vol |
|---|---|---|---|---|---|
| Indx | 138.83 | 138.65 | | | |
| Sep | 139.80 | 139.70 | 140.30 | 139.80 | 117 |
| Oct | 140.20 | 140.10 | 141.00 | 140.20 | 100 |
| Dec | 140.90 | 140.50 | 141.30 | 140.90 | 65 |

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Total daily turnover 13,492 lots | |
| Cash | 1266-8 | 1271-2 | | 1270-1 | | |
| 3 months | 1297-8 | 1300-1 | 1304/1297 | 1301-2 | 1298-9 | - |
| **Copper, Grade A (£ per tonne)** | | | | | Total daily turnover 21,028 lots | |
| Cash | 1321.5-2.5 | 1323.5-4.5 | 1325/1317 | 1323.5-4.5 | | |
| 3 months | 1343.5-4.0 | 1345.5-6 | 1353/1338 | 1346-6.5 | 1336-7 | - |
| **Lead (£ per tonne)** | | | | | Total daily turnover 1,741 lots | |
| Cash | 320.5-2.5 | 320-0.5 | 321/320.5 | 320.25-.75 | | |
| 3 months | 332.5-3.0 | 331.5-1.75 | 332.5/332 | 332-2.25 | 331.5-2.0 | - |
| **Nickel ($ per tonne)** | | | | | Total daily turnover 1,484 lots | |
| Cash | 8295-305 | 8295-05 | 8300/8295 | 8300-2 | | |
| 3 months | 8265-70 | 8275-80 | 8280/8265 | 8265-70 | 8260-70 | - |
| **Tin ($ per tonne)** | | | | | Total daily turnover 968 lots | |
| Cash | 5670-80 | 5685-95 | 5685/5685 | 5683-5 | | |
| 3 months | 5760-5 | 5770-75 | 5770/5755 | 5772-5 | 5755-8 | - |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Total daily turnover 8,829 lots | |
| Cash | 1061-1.5 | 1062-4 | 1062/1061.5 | 1062-2.5 | | |
| 3 months | 1078-8.5 | 1078.5-9 | 1079/1077 | 1078-9 | 1077-8 | - |

LME Closing £/$ rate:
SPOT: 1.6980 3 months: 1.6769 6 months: 1.6579 9 months: 1.6424

**LONDON BULLION MARKET**
(Prices supplied by N.M.Rothschild)

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 358.10-358.60 | |
| Opening | 357.50-358.00 | |
| Morning fix | 357.75 | 210.976 |
| Afternoon fix | 358.20 | 211.203 |
| Day's high | 358.30-358.70 | |
| Day's low | 357.50-358.00 | |

**Loco Ldn Mean Gold Lending Rates (Vs US$)**

| | | | |
|---|---|---|---|
| 1 month | 5.19 | 6 months | 5.10 |
| 2 months | 5.15 | 12 months | 5.04 |
| 3 months | 5.15 | | |

| Silver fix | p/fine oz | US cts equiv |
|---|---|---|
| Spot | 235.40 | 399.15 |
| 3 months | 241.70 | 404.65 |
| 6 months | 247.70 | 410.35 |
| 12 months | 259.75 | 422.70 |

**GOLD COINS**
(Prices supplied by Engelhard Metals)

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 358.00-359.00 | 211.00-211.50 |
| Maple leaf | 366.00-367.00 | 216.00-216.50 |
| New Sovereign | 86.00-87.00 | 50.75-51.25 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Sep | Dec | Sep | Dec |
| 1200 | 81 | 119 | 1 | 10 |
| 1300 | 12 | 52 | 32 | 42 |
| 1400 | 1 | 17 | 120 | 104 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2150 | 111 | 129 | 4 | 44 |
| 2250 | 39 | 75 | 32 | 88 |
| 2350 | 7 | 39 | 99 | 150 |
| **Coffee** | **Sep** | **Nov** | **Sep** | **Nov** |
| 450 | 55 | 78 | 0 | 1 |
| 500 | 10 | 34 | 5 | 7 |
| 550 | 0 | 9 | 45 | 32 |
| **Cocoa** | **Sep** | **Dec** | **Sep** | **Dec** |
| 625 | 41 | 91 | 3 | 17 |
| 650 | 22 | 74 | 9 | 25 |
| 675 | 10 | 60 | 22 | 36 |
| **Brent Crude** | **Sep** | **Oct** | **Sep** | **Oct** |
| 1900 | | | | 16 |
| 1950 | 10 | 53 | 1 | 31 |
| 2000 | 2 | 26 | | |

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 357.5 | 358.4 | 358.1 | 357.7 |
| Sep | 358.5 | 359.4 | 0 | 0 |
| Oct | 360.2 | 361.1 | 360.9 | 360.0 |
| Dec | 363.5 | 364.4 | 364.2 | 363.4 |
| Feb | 366.8 | 367.7 | 366.7 | 366.7 |
| Apr | 369.9 | 370.8 | 370.5 | 369.9 |
| Jun | 373.1 | 3374.0 | 0 | 0 |
| Aug | 376.4 | 377.3 | 0 | 0 |
| Oct | 379.7 | 380.6 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 353.1 | 351.7 | 0 | 0 |
| Oct | 356.6 | 355.2 | 357.8 | 356.0 |
| Jan | 361.3 | 359.9 | 363.0 | 361.0 |
| Apr | 365.3 | 363.9 | 367.5 | 365.5 |
| Jul | 369.3 | 367.9 | 372.0 | 371.8 |
| Oct | 377.3 | 375.9 | 0 | 0 |
| Oct | 387.9 | 387.5 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 395.3 | 396.0 | 0 | 0 |
| Sep | 398.5 | 397.5 | 398.0 | 396.0 |
| Oct | 398.6 | 399.6 | 0 | 0 |
| Dec | 403.2 | 404.1 | 404.5 | 403.0 |
| Jan | 404.7 | 405.6 | 0 | 0 |
| Mar | 410.0 | 411.0 | 411.0 | 409.0 |
| May | 414.7 | 415.7 | 415.6 | 415.5 |
| Jul | 419.4 | 420.4 | 421.0 | 420.6 |
| Sep | 424.4 | 425.3 | 0 | 0 |
| Dec | 432.3 | 433.1 | 434.0 | 433.5 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 100.70 | 102.80 | 102.50 | 100.70 |
| Sep | 100.80 | 102.90 | 102.80 | 100.60 |
| Oct | 100.30 | 102.30 | 101.40 | 100.10 |
| Nov | 99.90 | 101.85 | 100.70 | 100.70 |
| Dec | 99.50 | 101.50 | 101.50 | 99.40 |
| Jan | 99.00 | 100.90 | 99.60 | 99.50 |
| Feb | 98.50 | 100.40 | 0 | 0 |
| Mar | 98.00 | 99.90 | 99.60 | 98.00 |
| Apr | 97.55 | 99.30 | 98.30 | 98.30 |
| May | 97.10 | 98.70 | 98.40 | 97.80 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 8.28 | 8.68 | 8.75 | 8.10 |
| Mar | 8.18 | 8.60 | 8.60 | 8.04 |
| May | 8.15 | 8.61 | 8.59 | 8.11 |
| Jul | 8.19 | 8.61 | 8.45 | 8.18 |
| Oct | 8.23 | 8.73 | 8.60 | 8.45 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 21.70 | 21.62 | 21.82 | 21.60 |
| Oct | 21.60 | 21.51 | 21.71 | 21.51 |
| Nov | 21.51 | 21.39 | 21.67 | 21.41 |
| Dec | 21.38 | 21.24 | 21.43 | 21.26 |
| Feb | 21.19 | 21.10 | 21.23 | 21.15 |
| Feb | 21.08 | 20.96 | 21.09 | 21.00 |
| Mar | 20.91 | 20.81 | 20.93 | 20.88 |
| Apr | 20.75 | 20.68 | 20.80 | 20.66 |
| May | 20.57 | 20.58 | 20.57 | 20.57 |
| Jun | 20.63 | 20.52 | 20.63 | 20.55 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 6020 | 6000 | 6050 | 5975 |
| Oct | 6115 | 6096 | 6145 | 6075 |
| Nov | 6240 | 6211 | 6245 | 6190 |
| Dec | 6320 | 6306 | 6345 | 6280 |
| Feb | 6330 | 6325 | 6360 | 6290 |
| Feb | 6200 | 6190 | 6220 | 6160 |
| Mar | 5940 | 5930 | 5975 | 5910 |
| Apr | 5740 | 5715 | 5740 | 5740 |
| May | 5580 | 5555 | 5580 | 5580 |
| Jun | 5546 | 5870 | 5725 | 5585 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 1044 | 1069 | 1077 | 1035 |
| Dec | 1107 | 1132 | 1140 | 1098 |
| Mar | 1150 | 1169 | 1175 | 1141 |
| May | 1176 | 1196 | 1196 | 1167 |
| Jul | 1198 | 1221 | 1220 | 1195 |
| Sep | 1225 | 1244 | 1241 | 1220 |
| Dec | 1255 | 1273 | 1276 | 1274 |
| Mar | 1295 | 1315 | 1305 | 1305 |
| May | 1318 | 1340 | 1333 | 1324 |
| Jul | 1345 | 1375 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 79.95 | 81.15 | 80.90 | 79.60 |
| Dec | 83.55 | 84.75 | 84.45 | 83.50 |
| Mar | 87.10 | 88.25 | 87.75 | 87.05 |
| May | 89.45 | 90.40 | 90.10 | 89.40 |
| Jul | 91.90 | 92.60 | 92.30 | 91.90 |
| Sep | 94.40 | 94.95 | 94.50 | 94.25 |
| Dec | 97.90 | 97.65 | 0 | 0 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Oct | 65.80 | 69.33 | 67.20 | 65.70 |
| Dec | 66.95 | 70.25 | 67.70 | 66.80 |
| Mar | 68.73 | 70.90 | 69.15 | 68.53 |
| May | 70.00 | 69.45 | 70.20 | 69.65 |
| Jul | 70.65 | 68.00 | 70.75 | 70.40 |
| Oct | 67.75 | 0 | 0 | 0 |
| Dec | 67.65 | | 67.65 | 67.50 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 118.20 | 118.70 | 118.50 | 115.95 |
| Nov | 115.40 | 115.80 | 115.75 | 115.35 |
| Jan | 115.15 | 115.65 | 115.60 | 115.15 |
| Mar | 115.50 | 115.90 | 115.90 | 115.50 |
| Jul | 115.80 | 115.50 | 0 | 0 |
| Sep | 115.80 | 115.50 | 0 | 0 |
| Nov | 115.80 | 115.50 | 0 | 0 |

**INDICES**

**REUTERS (Base: September 18 1931 = 100)**

| Aug.12 | Aug.9 | mnth ago | yr ago |
|---|---|---|---|
| 1699.4 | 1660.7 | 1725.0 | 1769.1 |

**DOW JONES (Base: Dec. 31 1974 = 100)**

| | Aug.9 | Aug.8 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 118.17 | 119.07 | 125.78 | 132.85 |
| Futures | 121.89 | 121.71 | 122.46 | 133.41 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 558/4 | 556/8 | 561/0 | 557/0 |
| Sep | 561/4 | 560/0 | 565/0 | 560/2 |
| Nov | 571/6 | 570/2 | 575/2 | 570/2 |
| Jan | 581/2 | 579/6 | 585/0 | 580/2 |
| Mar | 592/2 | 589/4 | 595/0 | 591/0 |
| May | 598/4 | 597/0 | 601/4 | 598/2 |
| Jul | 603/0 | 602/2 | 607/0 | 602/4 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 20.07 | 20.03 | 20.27 | 20.07 |
| Sep | 20.21 | 20.14 | 20.42 | 20.18 |
| Oct | 20.38 | 20.32 | 20.59 | 20.34 |
| Dec | 20.73 | 20.71 | 20.95 | 20.69 |
| Jan | 20.89 | 20.90 | 21.10 | 20.89 |
| Mar | 21.17 | 21.15 | 21.40 | 21.17 |
| May | 21.40 | 21.35 | 0 | 0 |
| Jul | 21.65 | 21.60 | 21.80 | 21.65 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 179.7 | 178.8 | 180.0 | 179.1 |
| Sep | 177.7 | 178.6 | 178.0 | 177.0 |
| Oct | 176.8 | 175.5 | 177.6 | 175.5 |
| Dec | 176.9 | 176.1 | 177.3 | 176.1 |
| Jan | 176.7 | 176.3 | 177.2 | 176.5 |
| Mar | 177.2 | 177.5 | 178.0 | 177.0 |
| May | 177.4 | 177.2 | 178.2 | 177.3 |
| Jul | 177.3 | 177.5 | 179.0 | 177.3 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 253/0 | 250/6 | 253/0 | 250/4 |
| Dec | 258/0 | 256/0 | 258/0 | 254/4 |
| Mar | 264/6 | 261/6 | 265/2 | 262/0 |
| May | 268/2 | 265/6 | 269/2 | 265/6 |
| Jul | 270/6 | 268/0 | 271/4 | 267/2 |
| Sep | 259/6 | 257/2 | 260/0 | 258/0 |
| Dec | 254/4 | 254/6 | 256/4 | 254/4 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Sep | 298/6 | 295/6 | 299/0 | 294/6 |
| Dec | 311/6 | 308/6 | 312/0 | 308/0 |
| Mar | 317/4 | 314/0 | 317/6 | 313/4 |
| May | 313/0 | 310/0 | 313/0 | 308/4 |
| Jul | 303/6 | 299/0 | 304/4 | 299/0 |
| Sep | 306/4 | 306/4 | 0 | 0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 66.50 | 66.77 | 67.15 | 66.02 |
| Oct | 70.02 | 70.15 | 70.35 | 69.05 |
| Dec | 72.90 | 72.90 | 73.05 | 71.90 |
| Feb | 72.22 | 72.60 | 72.60 | 71.55 |
| Apr | 73.05 | 73.45 | 73.55 | 72.55 |
| Jun | 71.65 | 72.00 | 71.90 | 71.00 |
| Aug | 69.75 | 70.00 | 70.10 | 69.65 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 51.05 | 50.40 | 51.10 | 50.25 |
| Oct | 42.90 | 42.42 | 42.92 | 42.05 |
| Dec | 42.72 | 42.15 | 42.85 | 42.00 |
| Feb | 42.90 | 42.47 | 42.95 | 42.25 |
| Apr | 41.80 | 41.55 | 41.85 | 41.50 |
| Jun | 46.20 | 46.02 | 46.50 | 46.10 |
| Jul | 46.40 | 45.80 | 46.40 | 46.40 |
| Aug | 44.50 | 44.30 | 44.50 | 0 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Aug | 45.15 | 43.15 | 45.15 | 43.40 |
| Feb | 48.25 | 47.27 | 48.40 | 47.27 |
| Mar | 47.92 | 46.85 | 47.97 | 46.95 |
| May | 48.70 | 47.70 | 48.90 | 47.55 |
| Jul | 49.00 | 48.50 | 49.00 | 48.47 |
| Aug | 45.60 | 45.60 | 0 | 0 |

## LONDON STOCK EXCHANGE

# Shares wait for economic indicators

By Daniel Green

THE PROSPECTS of a rise in German interest rates on Thursday, and a long list of UK and US economic indicators to be published this week, failed to stir the London stock market yesterday.

The opening of a three-week account did not tempt short-term speculators. Traders and investors preferred the attractions of summer weather and the climax of the international test cricket season to betting on the events of the next few days.

There were moments of activity. Retail sales for June rose by 1.5 per cent, slightly more than expected. Kingfisher and Boots led the stores sector gently higher. Any serious enthusiasm was tempered, however, by the knowledge that provisional figures for July are published next Monday. The more bearish market strategists fear these will suggest that June's figures were exceptional.

| Account Dealing Dates | | |
|---|---|---|
| First Dealings: | | |
| Jul 29 | Aug 12 | Sep 2 |
| Option Declarations: | | |
| Aug 8 | Aug 29 | Sep 12 |
| Last Dealings: | | |
| Aug 9 | Aug 30 | Sep 13 |
| Account Day: | | |
| Aug 19 | Sep 9 | Sep 23 |

New-time dealings may take place from 8.30 am two business days earlier.

The biggest movement of the day in the FT-SE 100 index was at the market's opening. An unusually large number of Footsie stocks went ex-dividend and took the equivalent of more than 6½ points off the initial value of the index. The day's low of 2556.7 was touched just after the start of trade.

Confidence was not helped by a soggy gilts market where yields edged higher in anticipation of interest rate rises by the Bundesbank on Thursday. Demand for fixed interest instruments was more than satisfied by a hefty £400m Eurosterling issue.

Equity strategists said that share prices now took into account at least a ½ percentage point rise in the German Lombard rate and 1 percentage point gain in the discount rate.

Shares nevertheless inched forwards, with retail sales figures and an upset-free start from Wall Street keeping the sellers at bay. The Footsie ended at the day's best level of 2569.4, a net fall of 1.2. Final turnover was 280.7m, the lowest since June.

The opening of New York provided no firm direction, despite the announcement of the merger of BankAmerica Corp and Security Pacific to create the largest banking group in the US. London equities were largely unmoved on the news, the exception being Reuters which lost ground on fears that the sequence of US bank mergers was reducing the number of customers for its electronic financial services.

Results from Pearson, which publishes the Financial Times, were the biggest corporate event yesterday. The numbers disappointed but the shares ended above their worst levels.

Attention now returns to the composite insurers. General Accident reports today and Royal Insurance on Thursday.

Hanson, one of the few stocks with significant trading volume yesterday, publishes third quarter results tomorrow. They will be scrutinised with more than the usual care by ICI, which has Hanson as an 2.8 per cent stakeholder.

There was a moment of excitement when shares in luxuries retailer Liberty leapt as James Capel raided the market for stock. Suspicions fell on two Japanese companies as possible bidders. In the past two years, Japanese interests have picked up two of the UK's most international brand names, Daks and Aquascutum.

*Traders are hoping for a* more profound stimulus to business today. They are pinning their hopes on UK producer price and US retail sales figures. The City is expecting fractional rises in both.

## FINANCIAL TIMES STOCK INDICES

| | Aug 12 | Aug 9 | Aug 8 | Aug 7 | Aug 6 | Year Ago | 1991 High | 1991 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 85.51 | 85.68 | 85.68 | 85.65 | 85.43 | 77.91 | 85.88 (19/2) | 82.17 (2/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 94.45 | 94.48 | 94.48 | 94.49 | 94.45 | 87.84 | 94.84 (5/4) | 90.59 (2/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share● | 2007.5 | 2005.5 | 2024.0 | 2014.9 | 1999.0 | 1732.2 | 2024.0 (8/8) | 1606.3 (16/1) | 2024.0 (8/8/91) | 49.4 (26/6/40) |
| Gold Mines | 179.3 | 179.3 | 178.2 | 178.7 | 175.6 | 235.7 | 222.8 (11/7) | 127.0 (22/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2569.4 | 2570.6 | 2600.6 | 2597.4 | 2573.3 | 2219.5 | 2601.7 (2/8) | 2054.8 (16/1) | 2601.7 (2/8/91) | 986.9 (23/7/84) |
| FT-SE Eurotrack 200 | 1164.31 | 1169.48 | 1174.09 | 1174.76 | 1166.29 | - | 1192.11 (5/6) | 938.62 (16/1) | 1192.11 (5/6/91) | 938.62 (16/1/91) |
| ●Ord. Div. Yield | 4.72 | 4.73 | 4.68 | 4.70 | 4.76 | 5.53 | | | | |
| ●Earning Yld %(full) | 7.96 | 7.99 | 7.92 | 8.09 | 8.19 | 11.80 | | | | |
| ●P/E Ratio(Net)(☆) | 15.56 | 15.52 | 15.66 | 15.27 | 15.09 | 10.29 | | | | |
| SEAQ Bargns 4.45pm | 21,951 | 29,915 | 28,144 | 28,376 | 26,377 | 21,333 | | | | |
| Equity Turnover(£m)† | - | 786.88 | 995.60 | 1193.43 | 823.15 | 557.84 | | | | |
| Equity Bargains† | - | 29,920 | 27,871 | 28,788 | 26,603 | 21,057 | | | | |
| Shares Traded (ml)† | - | 352.1 | 431.4 | 410.3 | 379.1 | 256.0 | | | | |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 14.86

Ordinary Share Index, Hourly changes — Day's High 2007.5 — Day's Low 1992.7

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 1992.7 | 1995.7 | 2000.5 | 2004.0 | 2004.6 | 2005.2 | 2006.3 | 2004.4 | 2005.2 |

FT-SE 100, Hourly changes — Day's High 2569.4 — Day's Low 2556.7

| Open | 9 am | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|---|
| 2557.1 | 2558.7 | 2563.0 | 2556.5 | 2567.2 | 2567.7 | 2567.2 | 2564.9 | 2567.6 |

FT-SE Eurotrack 200, Hourly changes — Day's High 1166.35 — Day's Low 1163.34

| Open | 10 am | 11 am | 12 pm | 1 pm | 2 pm | 3 pm |
|---|---|---|---|---|---|---|
| 1164.08 | 1164.15 | 1165.13 | 1165.35 | 1164.90 | 1164.74 | 1165.63 |

## GILT EDGED ACTIVITY

| Indices* | Aug 9 | Aug 8 |
|---|---|---|
| Gilt Edged Bargains | 105.0 | 120.7 |
| 5-Day average | 106.5 | 103.8 |

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

# Road deal benefits Trafalgar

NEWS OF a road building contract yesterday helped Trafalgar House. Sentiment was also boosted by a recommendation from a securities house. Trafalgar was one of the day's biggest gainers in the Footsie index, rising 8 to 225p on a healthy turnover of 2.5m.

Midland Expressway, Trafalgar's joint venture with Italian toll road operator Italstat, has been awarded a £140m contract to build a toll road around Birmingham, Britain's second biggest city. Mr David Ireland of securities house Hoare Govett said: "It is not something that will impact on profitability in the near term, but it is a useful lift to sentiment and ensures that the division will make headway in the mid-1990s."

The share price was also helped by UBS Phillips & Drew, which plans to publish a buy note this week.

### Mowlem in demand

Suggestions that John Mowlem, the construction company, would soon be given the green light to extend the runway of its Docklands-situated London City Airport, enabling the airport to accommodate jet aircraft, boosted the shares.

Mowlem, which peaked at more than £5 early in 1987, had fallen to a five-year low of 219p as recently as July 30 this year. They rallied strongly yesterday to touch 242p before coming off the top to close a net 11 higher at 239p. Turnover reached 1.2m shares, well ahead of its usual levels.

Specialists said Mowlem had performed badly because of losses incurred by the airport, in which Mowlem has a 90 per cent stake, and also because of the effects of the recession.

### Raid on Liberty

The voting "A" shares in Liberty, the upmarket retailer and wholesaler, jumped 90 to 605p, a rise of 16.5 per cent, after James Capel launched an unsuccessful mini dawn raid.

Capel confirmed that it had bid 600p for the "A" shares, but would not comment on speculation that it was acting on behalf of a Japanese client or say how many shares it had purchased.

Stores specialists believed Capel, in spite of bidding aggressively, had failed to pick up much of the tightly held stock. It may have had greater success when it approached institutional holders.

There was widespread talk that Ryohin Keikaku, the Japanese retailer which is part of the Seibu Corporation, was the interested party. Ryohin already has a marketing agreement with Liberty. The other name mentioned was Oceana Group, which is involved in a hostile bid for Etam.

Last year two upmarket UK retailers were taken over by large Japanese companies. Aquascutum was acquired by Renown, Japan's biggest clothing group for £73.8m; while Daks-Simpson was sold for £65m to Sankyo Seiko, a clothing and textile concern.

### Pearson disappoints

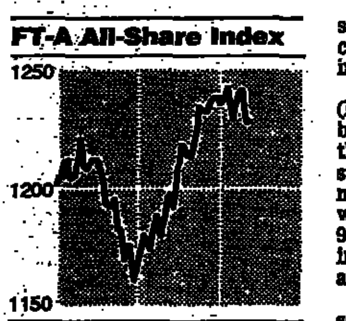
Pearson dipped sharply during early trading as the group announced half-year results below the estimates of most analysts. The shares were down 22 at one stage before picking up to close a net 12 off at 750p.

Observers had been looking for profits of between £41m and £49m but most calculations were put out by Pearson's books division, which came in with a £13.4m shortfall for the six months to the end of June. There was a rash of forecast cuts and the range for the full year was moved down by around £20m to between £160m and £170m.

Mr Tim Rothwell of BZW took one of the more bearish stances. He was unconvinced that Pearson's fortunes would show the second-half recovery predicted by the company, but said the stock remained a longer term investment because of the quality of the business. Ms Lorna Tilbian of S.G. Warburg was more positive. She trimmed her forecast by only £5m to £170m and said she saw "a very strong bias towards the second half".

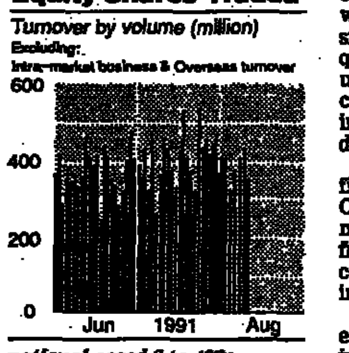
Publishers with a heavy reliance on advertising also lost ground. United Newspapers shed 5 to 358p and Reed International eased 3 to 437p.

**FT-A All-Share Index**




**Equity Shares Traded**

*Turnover by volume (million)*
Excluding: Intra-market business & Overseas turnover




Bearish comment in the US press took the shine off Glaxo, one of the best performers in the market this year. The shares slipped 17 to 1266p.

Reuters was a casualty of the proposed merger in the US of BankAmerica and Security Pacific to create the biggest banking group in the US. The shares were 21 down at one point before ending at 828p for a net decline of 12. Analysts have suggested that the current sequence of US bank mergers will reduce the number of customers for Reuters' electronic trading systems.

There was relatively good turnover of 5.6m in Hanson ahead of third-quarter results due tomorrow. The shares edged ½ firmer to 216p.

Water shares rallied after the bout of weakness caused by the latest comments from the water industry regulatory body Ofwat. Turnover in the individual stocks was mostly at low levels, although Severn Trent was an exception, the shares adding 4 at 332p as 2.1m changed hands; the turnover included a line of 1m at 329p.

Regional electricity stocks (Recs) came under pressure but turnovers were minimal throughout the list. The only stock to approach turnover of a million shares was Norweb, which eased 3 to 206p on 938,000. Other weak performers included East Midlands, 5 off at 186p on 591,000.

The energy sector gave a solid performance, highlighted by the strong showing of Shell which specialists said had possibly overreacted to last week's quarterly figures. Shell moved up 6 to 523p on 1.6m. Lasmo came in for keen support, closing 7½ higher at 328p ex-dividend.

Ultramar closed a shade firmer at 268p. Smith New Court chopped its forecast of net income for the current year from £61m to £40m, reflecting a combination of poor markets in the US and Canada.

Composite insurers were erratic ahead of today's interim figures from General Accident. The market is bracing itself for more bad news from GA, whose shares dipped 6 to 551p on 415,000. BZW expects a loss of £93m against a comparable £66.2m, while Nomura is looking for a deficit of £90m. Both brokers expect, however, that GA will maintain the interim dividend at 10p.

Royal Insurance, reporting interims on Thursday, added 5 at 405p. BZW said Royal shares "should make up some of the recent underperformance if it holds its dividend".

Legal & General moved up 3 to 438p and Prudential edged higher to 252p following recommendations from Goldman Sachs.

Grand Metropolitan added 6 at 801p on talk that its subsidiary Burger King had secured the franchise to supply EuroDisney. Burger King has a close relationship with Disney in the US. County NatWest yesterday reiterated its buy recommendation on the stock, saying "Grand Metropolitan offers good value".

British Aerospace gave up 8 to 556p on speculation that the UK government had decided to give a £1.5bn Royal Navy helicopter contract to a consortium led by IBM rather than by BAe and GEC Marconi.

Yesterday saw another set of profit cuts in BAe, this time from securities houses County NatWest and James Capel. County reduced its forecast by £65m to £300m while Capel lowered its original forecast by £50m to arrive at the same figure. Both houses blamed unforeseen high interest charges for the cut. Westland, which supports IBM and will be an important sub-contractor, improved 4 to 115p on the speculation, while GEC nudged forward ½ to 185½p.

A County NatWest buy recommendation lifted specialist equipment manufacturer Spirax Sarco 6½ to 242p. Hunting was up 1½ at 172½p, after touching 174p, following favourable press comment. Fairey Group, 5 better at 294p, also benefited from positive press mention. Glynwed International gave up 6 to 223p in nervous trade ahead of Thursday's interim results.

WPP, the world's largest marketing services group, which announced a 65 per cent fall in first-half profits last week, lost 5 to 104p.

Bryant dipped 3 more to 100p as analysts highlighted the probability of the company making a £10m provision against property and land. Barratt eased a fraction to 41p in spite of hints that the steep decline in the shares could trigger a bid for the group, whose shares are currently at a steep discount to assets.

A positive annual meeting last week appears to have drawn the market's attention to Aim Group, which rose a further 8 to 137p.

**MARKET REPORTERS:**
Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.

## NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (46).
BRITISH FUNDS (2) Treas. 2pc I-L 1992, Treas. 2pc I-L 1994, AMERICANS (2) FPL, Morris (Philip), BANKS (1) HSBC, CHEMICALS (1) Halstead (J), STORES (5) Hogg Robinson, Kingfisher, Do. 8½pc Ln 2000, Liberty, Do. Non-Vtg., ELECTRICALS (4) Domino Printing Sciences, Elec. Data Processing, Macro 4, Renishaw, ENGINEERING (2) Fairey, Spirax-Sarco, FOODS (2) Cranswick Mill, Salvesen (Christian), INDUSTRIALS (9) ABM, Betterware Cons. Products, Bimec Inds., Community Hospitals, De La Rue, Min. & Allied Supplies, Serco, Sidlaw, Walpac, LEISURE (2) Airtours, Border TV, MOTORS (1) Cowie (T), PAPERS (2) Intl. Comm. & Data, Usher Walker, TRANSPORT (2) P & O 5½pc Pfd., Transport Dev., TRUSTS (16) Abtrust Prefered Zero Div. Pf., Equity Consort Dfd., Five Arrows Chile Fd., Do. Warrants, GT Chile Fd. Units, GT Chile Growth Warrants, Intrum Justitia, River Plate Zero Div. Pf., Scot. Nat. Zero Div. Pf., TR Tech. Stepped Pf.

NEW LOWS (48).
BANKS (2) Bank Leumi (U.K.), Joseph (Leopold), BUILDINGS (3) Costain, Crest Nichol 5½pc Pf., Howard, STORES (1) Oliver, ELECTRICALS (2) Microvitec, Scantronic, FOODS (3) Albert Fisher, Ashley 8¼p Pf., Matthews (B), HOTELS (1) Savoy A, INDUSTRIALS (10) Cosalt, Dyson (J & J), Hampson 6½p Pf. 1991/2003, High-Point, Levercrest, Lilleshall, Pilkington Warrants, Securicor, Whitecroft, Wyko, LEISURE (2) Marina Devs., TVS Ent., PAPERS (1) Cradley, PROPERTY (8) Arcadian Intl., Clayform, Greycoat, Stanhope, Trencherwood, SHOES (1) Stylo, TRUSTS (9) Aberforth Split Level Units, Candover, English & Caledonian, First Philippine Warrants, German Smaller Co's., Malaysian Emrg. Warrants Co's. Fd., Pacific Horizon Warrants, Sumit, Thornton Pan Euro. Warrants, OILS (2) Goal Pet., Great Western Res. Class A, PLANTATIONS (2) Kuala Lumpur Kepong, Rowe Evans, MINES (1) Barplats.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 47 | 460 | |
| ASDA Group | 3,600 | 87½ | +1½ |
| Abbey National | 1,100 | 293 | -2½ |
| Albert Fisher | 2,800 | 109 | -1 |
| Allied-Lyons | 2,400 | 582 | +3 |
| Amstrad | 446 | 51½ | +½ |
| Anglian Water | 435 | 365 | +4 |
| Argos | 114 | 319 | -1 |
| Argyll Group | 2,200 | 296 | |
| Arjo Wiggins | 167 | 276 | -2 |
| Ass. Brit. Foods | 467 | 525 | -2 |
| BAA | 410 | 435 | -1 |
| BAT Inds. | 880 | 732 | +1 |
| BET | 3,400 | 209 | |
| BICC | 60 | 456 | +3 |
| BOC | 544 | 574 | -1 |
| BPB Inds. | 1,400 | 180 | -1 |
| BTR | 3,100 | 410 | +1 |
| Bank of Scotland | 357 | 119 | +1½ |
| Barclays | 1,300 | 450 | -9 |
| Bass | 432 | 917 | +1 |
| Beazer | 949 | 86 | -1 |
| Berisford Int. | 312 | 39 | |
| Blue Circle | 811 | 256 | -1 |
| Booker | 101 | 484 | |
| Boots | 1,800 | 419 | +2 |
| Bowater | 145 | 655 | |
| Brit. Aerospace | 520 | 556 | -8 |
| British Airways | 935 | 184 | -1 |
| British Gas | 2,400 | 265½ | |
| British Land | 1,100 | 298 | +1 |
| BP | 3,100 | 336 | +4½ |
| British Steel | 4,600 | 123½ | +2½ |
| British Telecom | 1,000 | 383 | +½ |
| Bunzl | 1,800 | 98 | |
| Burmah Castrol | 134 | 574 | +6 |
| Burton | 5,600 | 38 | +1½ |
| Cable & Wire. | 850 | 577 | |
| Cadburys | 328 | 374 | +1 |
| Cator Group | 13 | 223 | |
| Carlton Comms. | 520 | 463 | -2 |
| Coats Viyella | 582 | 169 | -3 |
| Comm. Union | 599 | 532 | -3 |
| Cookson | 337 | 104 | +½ |
| Courtaulds | 423 | 450 | +3 |
| Dalgety | 90 | 393 | |
| De La Rue | 94 | 450 | +1 |
| Dixons | 136 | 248 | |
| ECC Group | 227 | 456 | -2 |
| Eastern Elect. | 312 | 165½ | -4½ |
| East Midland Elect. | 591 | 186 | -5 |
| Enterprise Oil | 181 | 519 | -1 |
| Eurotunnel Units | 118 | 449 | |
| FKI | 683 | 64 | -½ |
| Ferranti | 8,200 | 7 | -½ |
| Fisons | 1,300 | 472 | -1 |
| Forte | 1,100 | 278 | +3½ |
| Gen. Accident | 415 | 551 | -6 |
| General Elect. | 3,200 | 185½ | +½ |
| Glaxo | 752 | 1266 | -17 |
| Glynwed Int. | 1,100 | 223 | -6 |
| Granada | 136 | 133 | |
| Grand Met. | 398 | 801 | +6 |
| GUS A | 152 | 1354 | +6 |
| GRE | 3,400 | 180 | -1 |
| GKN | 255 | 360 | +2 |
| Guinness | 638 | 986 | +3 |
| Hammerson 'A' | 3 | 603 | -2 |
| Hanson | 5,600 | 216 | +½ |
| Hanson Warrants | 114 | 34 | |
| Harrisons Crosfield | 417 | 164 | |
| Hawker Sidd. | 53 | 578 | -1 |
| Hillsdown | 1,100 | 224 | +4 |
| IMI | 247 | 244 | -1 |
| ICI | 430 | 1326 | +11 |
| Inchcape | 50 | 388 | |
| Kingfisher | 923 | 547 | +5 |
| Ladbroke | 1,400 | 270 | -2 |
| Land Securities | 187 | 498 | -1 |
| Laporte | 31 | 551 | +½ |
| Legal & General | 1,700 | 438 | +3 |
| Lloyds Abbey | 113 | 433 | +2 |
| Lloyds Bank | 1,000 | 384 | -1 |
| LASMO | 327 | 328 | +7½ |
| London Elect. | 188 | 187 | -2 |
| Lonrho | 471 | 241 | -½ |
| Lucas | 414 | 144 | +2 |
| MB Caradon | 340 | 232 | -2 |
| MEPC | 208 | 484 | -1 |
| Manweb | 12 | 237 | -2 |
| Marks & Spencer | 3,100 | 273 | |
| Maxwell Comms. | 151 | 187 | |
| Midland Bank | 1,100 | 235 | +1½ |
| Midlands Elect. | 114 | 194 | -3 |
| NFC | 1,100 | 189 | |
| NatWest Bank | 1,500 | 331 | +3 |
| National Power | 6,000 | 146½ | -2½ |
| Next | 2,200 | 35 | +1 |
| North West Water | 744 | 367 | +1 |
| Northern Elect. | 240 | 189 | -2 |
| Northern Foods | 115 | 500 | +2 |
| Norweb | 938 | 204 | -5 |
| Pearson | 752 | 750 | -12 |
| P & O | 615 | 583 | +5 |
| Pilkington | 522 | 151 | -1 |
| PowerGen | 2,400 | 180 | +2 |
| Prudential | 829 | 252 | +½ |
| RHM | 239 | 380 | +1 |
| RMC | 545 | 651 | +7 |
| RTZ | 207 | 576 | -1 |
| Racal | 464 | 215 | |
| Racal Telecom | 258 | 325 | |
| Rank Org. | 826 | 679 | +1½ |
| Reckitt & Colman | 226 | 650 | -8 |
| Redland | 880 | 549 | -4 |
| Reed Intl. | 435 | 437 | -3 |
| Rentokil | 32 | 342 | +½ |
| Reuters | 790 | 828 | -12 |
| Rolls Royce | 1,300 | 152 | +2 |
| Rothmans | 93 | 1065 | |
| Ryl Bk Scotland | 510 | 182 | +2 |
| Royal Insurance | 472 | 405 | +5 |
| Saatchi | 359 | 18¼ | |
| Sainsbury | 2,900 | 385 | +½ |
| Scottish & New. | 1,000 | 415 | +1 |
| Scot. Hydro-Elect. | 1,300 | 111½ | |
| Scottish Power | 5,500 | 105 | |
| Sears | 740 | 81 | -1 |
| Sedgwick | 568 | 270 | +2 |
| Seeboard | 17 | 197 | -1 |
| Severn Trent Water | 2,200 | 332 | +4 |
| Shell Transport | 1,600 | 522 | +5 |
| Siebe | 457 | 487 | |
| Slough Ests | 21 | 257 | |
| Smith (W.H.) A | 577 | 432 | |
| Smith & Nephew | 1,700 | 132½ | -1 |
| SmKl Beecham | 787 | 778 | +9 |
| SmKl Beecham Uts. | 69 | 3368 | +52½ |
| Smiths Inds. | 556 | 284 | -2 |
| Southern Elect. | 144 | 188 | -3 |
| South Wales Elect. | 38 | 237 | -1 |
| South West Water | 307 | 380 | +5 |
| South West. Elect. | 358 | 194 | -3 |
| Southern Water | 96 | 329 | +4 |
| Standard Chartd. | 980 | 372 | -1 |
| Storehouse | 45 | 111 | -1 |
| Sun Alliance | 1,100 | 388 | -3 |
| T&N | 475 | 157 | |
| TI Group | 632 | 557 | +1 |
| TSB | 1,000 | 140 | |
| Tarmac | 364 | 219 | +1 |
| Tate & Lyle | 626 | 378 | |
| Taylor Woodrow | 1,200 | 223 | |
| Tesco | 5,400 | 266 | +½ |
| Thames Water | 534 | 367 | |
| Thorn EMI | 846 | 780 | +5 |
| Tomkins | 147 | 388 | -1½ |
| Trafalgar House | 2,500 | 225 | +8 |
| Ultramar | 1,400 | 268 | +1 |
| Unigate | 1,700 | 314 | +5 |
| Unilever | 654 | 758 | +3 |
| United Biscuits | 483 | 397 | +3 |
| Utd. Newspapers | 380 | 358 | -5 |
| Wellcome | 135 | 721 | |
| Welsh Water | 40 | 367 | -1 |
| Wessex Water | 151 | 380 | +4 |
| Whitbread 'A' | 1,000 | 481 | +2 |
| Williams Hldgs. | 550 | 315 | |
| Willis Corroon | 447 | 318 | -1 |
| Wimpey | 901 | 179 | -1 |
| Yorkshire Elect. | 125 | 223 | -6 |
| Yorkshire Water | 185 | 384 | +6 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

## EQUITY FUTURES AND OPTIONS TRADING

THE MALAISE in the equity market spread to derivatives yesterday as the quiet summer period and unease ahead of a string of important economic indicators left most players on the sidelines, writes Jim McCallum.

Options and futures dealers had one of their quietest days this year. The main feature of the day appeared to be England's cricketing performance against the West Indies rather than consideration of the prospects for equities.

In spite of the lassitude in the dealing rooms the FT-SE futures market held at a steady premium to the spot index for much of the session, indicating that the share market is underpinned at current levels and may be able to make modest gains.

Futures led equities off their lows, although for much of the day they exerted little influence over shares. The September FT-SE index closed at 2,592, down 7 points on the day. September's premium finished at 24 points, unchanged on the day and compared with fair value of around 17.

Dealing in Tesco options rose as a large technical trade was executed. A position in August 280 puts was rolled forward into November 280 puts. BP options also saw busy turnover.

## LONDON SHARE SERVICE

### BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| 1991 High | 1991 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 100¼ | 99⅛ | Exch. 11pc 1991 | 100 | | 11.00 | [illegible] |
| 99½ | 96⅜ | Treas. 8pc 1991 | 99⅞ | | 8.06 | [illegible] |
| 101½ | 100⅛ | Treas 12¾pc 1992‡‡ | 100⅝ | | 12.63 | [illegible] |
| 99⅝ | 97⅞ | Treas 10pc 1992 | 99⅛ | | 10.02 | [illegible] |
| 98⅝ | 95⅛ | Treas. 8pc 1992‡‡ | 98⅝ | | 8.12 | [illegible] |
| 100⅝ | 98⅛ | Treas 10½pc Cv 1992‡‡ | 100⅛ | | 10.49 | [illegible] |
| 95⅞ | 91⅛ | Treas. 3pc 1992 | 95⅞ | | 3.13 | [illegible] |
| 102⅞ | 100⅛ | Exch. 12¼pc '92 | 102⅛ | | 12.01 | [illegible] |
| 104⅛ | 102⅞ | Exch 13½pc 1992 | 103⅞ | | 13.06 | [illegible] |
| 97⅞ | 94 | Treas 8¼pc 1993 | 97⅞ | | 8.46 | [illegible] |
| 99⅞ | 97⅛ | Treas 10pc 1993‡‡ | 99⅞ | | 10.01 | [illegible] |
| 104⅞ | 102⅛ | Treas 12½pc 1993‡‡ | 104⅛ | | 12.01 | [illegible] |
| 94 | 89⅞ | Funding 6pc 1993‡‡ | 94 | | 6.38 | [illegible] |
| 108⅛ | 105⅛ | Treas 13¾pc 1993‡‡ | 107⅛ | | 12.84 | [illegible] |
| 96 | 92⅛ | Treas. 8½pc 1994 | 96⅛ | | 8.80 | [illegible] |
| 111⅛ | 108⅛ | Treas 14½pc 1994‡‡ | 109⅝ | -⅛ | 13.23 | [illegible] |
| 109 | 105⅞ | Exch 13½pc 1994 | 107⅞ | -⅛ | 12.53 | [illegible] |
| 99⅞ | 96⅛ | Treas. 10pc Ln. 1994‡‡ | 99⅞ | -⅛ | 10.03 | [illegible] |
| 106⅞ | 103⅛ | Exch. 12½pc 1994 | 105⅛ | -⅛ | 11.80 | [illegible] |
| 97⅛ | 93⅛ | Treas 9pc 1994‡‡ | 96⅞ | -⅛ | 9.28 | [illegible] |
| 106⅞ | 102⅞ | Treas 12pc 1995 | 105⅞ | -⅛ | 11.39 | [illegible] |
| 89 | 82⅛ | Exch 3pc Gas 90-95 | 86⅛ | +⅛ | 3.47 | [illegible] |
| 100⅞ | 96⅞ | Exch. 10¼pc 1995 | 100⅛ | -⅛ | 10.20 | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Five to Fifteen Years

| 1991 High | 1991 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

| 1991 High | 1991 Low | Stock | Price £ | + or - | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### INT. BANK AND O'SEAS

### CORPORATION LOANS

### COMMONWEALTH & AFRICAN LOANS

### LOANS

Building Societies

Public Board and Ind.

### FOREIGN BONDS & RAILS

| | | | | | | |
|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on next page



## APPOINTMENTS

# Lonrho deputy chairman

■ LONRHO has appointed Mr R.W. Rowland as deputy chairman. He continues as managing director and chief executive.

■ KAWASAKI KISEN KAISHA, "K" Line, has transferred Mr Shigemi Oguni *(pictured)* from Tokyo to London. He is managing director of the bulk shipping division. In London he will be identifying European growth areas.

■ Mr Ralph Wilson, managing director of Gallagher Plumer Non-Marine, has been appointed to the board of GALLAGHER PLUMER. Mr John Meehan has been appointed a director of Gallagher Plumer North America, responsible for US health benefits. Mr Chris Underwood has joined Gallagher Plumer and Partners to develop London market and foreign proportional and non-proportional business. Mr Paul Eilbeck has joined the marine division to expand its oil and energy account.

■ EXPRESS BOYD, business travel subsidiary of NCR, has appointed Mr Brian Boughton as managing director. He was divisional director of NCR's imaging systems division.

■ USHER-WALKER has appointed Mr Trevor Maund as corporate finance director designate. He was finance director at More O'Ferrall.

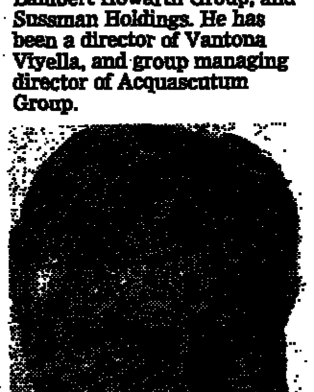
■ Mr Paul Clarke *(pictured)* has been appointed finance director of FULLER, SMITH AND TURNER, independent West London brewers. He has joined initially as a technical director, and previously was a director of Bellwinch.

■ FERGUSON INTERNATIONAL HOLDINGS has appointed as non-executive directors Mr Alan Cole, group chief executive of Transport Development Group, and Mr Eric Drewery, chief executive officer of the UK operations of ABB Asea Brown Boveri.

■ BRITISH GAS has promoted Mr Stuart D. Anderson, group chief planning accountant, to director of operational planning, gas business, from September 1.

■ Mr Graham Hayden has joined WHIRLPOOL UK as director of sales and marketing. He was director of commercial sales at Hoover.

■ RITZ DESIGN GROUP has appointed Mr Robert Underhill as group finance director and company secretary. He is group finance director and company secretary of Campbell and Armstrong, and will join Ritz on a full-time basis on September 1. Mr Michael D. Heeley has been appointed a non-executive director. He is deputy chairman of William Lamb Holdings, and chairman of Williams Motor Co Holdings. Mr Heeley has been a director of the British Linen Bank, group managing director of Vernons Organisation, and deputy chairman of Gola Lamb. Also becoming a non-executive director is Mr Stuart D. Hollander, whose current directorships include Lambert Howarth Group, and Sussman Holdings. He has been a director of Vantona Viyella, and group managing director of Acquascutum Group.



■ Mr Graham Green *(pictured)* has been appointed an executive director of W. CANNING, Birmingham, with responsibility for the surface finishing, fuel additives, and water treatment chemicals activities. He joined the company last August as managing director of W. Canning Materials. Mr David Brown has been promoted to managing director of Marston Bentley, Wigan. Mr John Allwood has been promoted to the new post of sales director (home and overseas), and Mr Simon Wake to the post of research director at W. Canning Materials. The appointments are all from September 1.

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## AMERICANS

| 1991 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 33¼ | 20⅞ | Abbott Laboratories† | 31¼ | .... | $1.00 | – | 1.9 |
| 385p | 257p | ♥Allegheny & W 1c | 295p | +1 | 30c | – | 6.0 |
| 10¼ | 667p | Amdahl 5c | 826p | −11 | 10c | – | 0.7 |
| 42¼ | 25⅜ | Amer. Cyanamid $5 | 38⅞ | −⅞ | $1.50 | – | 2.3 |
| 17⅞ | 9½ | Amer. Express 60c | 15½ | −1½ | 92c | – | 3.6 |
| 24½ | 15¼ | American T. & T $1 | 23⅞ | .... | $1.32 | – | 3.3 |
| 38⅞ | 32½ | Ameritech $1 | 35½ | .... | $3.40 | – | 5.7 |
| 24 | 12⅞ | BankAmerica $1⅝ | 22 | +⅛ | $1.20 | – | 3.2 |
| 34¼ | 20⅞ | Bankers N.Y. $1 | 34¼ | −⅞ | $1.52 | – | 8.4 |
| 30½ | 24¼ | Bell Atlantic $1 | 28 | −½ | $2.52 | – | 5.3 |
| 31¼ | 25 | BellSouth Corp. | 27⅝ | −¼ | $2.76 | – | 5.9 |
| 11¼ | 6⅞ | ♥Bethlehem Steel $8 | 9⅞ | +⅝ | 40c | – | 2.4 |
| 1839p | 1046p | Bowater Inc. | 1504p | +7 | $1.20 | – | 4.7 |
| 9½ | 4½ | Brunswick 75c | 8½ | −⅛ | 44c | – | 3.1 |
| 54 | 37⅞ | CPC Intnl. 25c | 52⅞ | +⅞ | $2.00 | – | 2.3 |
| 852p | 420p | California Engy. | 796p | +7 | – | – | – |
| 50 | 28¼ | Campbell Soup 15c | 47⅝ | −⅝ | $1.16 | – | 1.4 |
| 12⅝ | 5⅞ | Chase Manhattan $12½ | 11½ | −¼ | $1.20 | – | 6.3 |
| 9⅞ | 5½ | Chrysler $6¼ | 7¼ | −¼ | 60c | – | 5.0 |
| 10¼ | 5⅞ | Citicorp $1 | 8 | −¼ | $1.00 | – | 7.4 |
| 25 | 21⅞ | Colgate-Palmolive $1 | 23½ | +⅛ | $1.06 | – | 2.7 |
| 845p | 438p | Cont. l Bank Corp $4 | 811p | −4 | $1.00 | – | 7.3 |
| 21⅝ | 13⅞ | Dana Corp $1 | 18¼ | −⅞ | $1.60 | – | 5.2 |
| 1106p | 203p | Data General | 1032p | −18 | – | – | – |
| 22½ | 12⅞ | Dial Crop $1.5 | 21⅞ | +⅞ | $1.40 | – | 3.9 |
| 29⅝ | 20⅜ | Dun & Bradstreet $1 | 26⅝ | −⅛ | $2.16 | – | 4.8 |
| 40 | 24¼ | Eaton Corpn. 50c | 37⅞ | +⅞ | $2.20 | – | – |
| 8½ | 5½ | Echlin Inc | 8 | +⅞ | 70c | – | 5.2 |
| 19⅞ | 14⅞ | FPL Group 1c | 19⅞ | +⅞ | $2.40 | – | 7.3 |
| 30⅞ | 17⅞ | Fluor Corp 62½pc | 26 | +⅛ | 32c | – | 0.7 |
| 23¼ | 13¼ | Ford Motor $1 | 18¼ | −⅞ | $1.60 | – | 3.3 |
| 46⅞ | 28⅞ | Gen. Elect. 63c | 43⅞ | +⅞ | $2.04 | – | 2.8 |
| 566p | 270p | ♥General Host Corp $1 | 472p | +10 | 34c | – | 4.3 |
| 45¼ | 20⅞ | Gillette $1 | 23½ | −½ | 62c | – | 1.5 |
| 18¼ | 794p | Hasbro Inc 50c | 16¼ | +¼ | 24c | – | 0.9 |
| 38½ | 21¼ | Honeywell $1½ | 34⅞ | +⅞ | $1.50 | – | 2.6 |
| 23 | 17⅞ | Houston Inds.‖ | 23 | .... | $2.96 | – | 7.6 |
| 72⅞ | 55⅞ | IBM Corpn $1¼ | 58⅞ | +⅞ | $4.84 | – | 4.9 |
| 32½ | 18⅞ | Ingersoll-Rand $2 | 29⅞ | −⅞ | $1.32 | – | 2.6 |
| 28¼ | 16⅛ | Lockheed Crpn $1 | 26¼ | +⅞ | $2.00 | – | 4.5 |
| 2155p | 1245p | Lowe's 50c | 1873p | +9 | 56c | – | 1.8 |
| 17⅞ | 9½ | Manuf. Hanover $1 | 17⅞ | −⅞ | ♦$3.28 | – | 10.8 |
| 26⅞ | 10⅞ | Merrill Lynch $1 | 24⅞ | −¼ | $1.00 | – | 2.4 |
| 33⅞ | 21⅞ | Morgan (JP) $2½ | 30⅞ | −⅛ | $1.98 | – | 3.8 |
| 42 | 25⅞ | Morris (Philip) | 42 | +¼ | $1.72 | – | 2.4 |
| 46¼ | 39 | NYNEX $1 | 43⅝ | +⅞ | $4.56 | – | 6.2 |
| 89p | 30p | ♥Pac. Agricultural | 30p | .... | – | – | – |
| 23⅞ | 11⅞ | Pall Corp. 25c | 21⅞ | +⅞ | h44c | – | 1.2 |
| 46¼ | 33¼ | Pennzoil 83 1/3c | 43⅛ | −⅛ | $3.00 | – | 4.1 |
| 40½ | 24⅞ | Quaker Oats $5 | 36½ | +⅛ | $1.56 | – | 2.5 |
| 40¼ | 24⅞ | Rep NY Corpn $5 | 38⅞ | −⅛ | $1.40 | – | 2.2 |
| 17⅛ | 12⅛ | Rockwell Intl. $1 | 15½ | +⅛ | 86c | – | 3.5 |
| 25⅞ | 12⅞ | Sears, Roebuck 75c | 24⅝ | +⅞ | $2.00 | – | 4.8 |
| 34¼ | 25⅝ | Southwestern Bell $1 | 32⅞ | +½ | $2.84 | – | 5.2 |
| 20¼ | 14⅞ | Sun Co Inc $1 | 18⅞ | +⅞ | $1.80 | – | 5.9 |
| 27⅛ | 21¼ | Tenneco $5 | 24⅝ | +⅞ | $3.20 | – | 7.3 |
| 40½ | 29⅞ | Texaco $6.25 | 37¼ | +⅛ | $3.20 | – | 5.1 |
| 26⅛ | 17¼ | Texas Instr $1 | 18⅞ | −⅞ | 72c | – | 2.3 |
| *64½ | 37⅞ | Time Warner $1 | 51⅞ | −⅞ | $1.00 | – | 1.1 |
| 16⅝ | 8⅞ | TRINOVA Corp. | 14⅞ | −½ | 68c | – | 2.8 |
| 510p | 250p | ♥Unilab. | 510p | .... | – | – | – |
| 29¼ | 22⅛ | Utd. Technologies | 26⅞ | .... | $1.80 | – | 4.0 |
| 92p | 42p | ♥Utilitech Inc | 81p | .... | – | – | – |
| 23 | 18¼ | US West‖ | 21⅛ | +⅛ | $2.08 | – | 5.7 |
| 162p | 87⅞p | Varity Corp‖ | 150p | .... | $1.30 | – | – |
| 24⅞ | 16⅝ | Waste Management $1 | 22⅞ | .... | 44c | – | 1.2 |
| 2191p | 1053p | Whirlpool $1 | 2123p | +9 | $1.10 | – | 3.1 |
| 20⅞ | 13½ | ♥Woolworth $3½ | 16⅞ | .... | $1.08 | – | 3.9 |

## CANADIANS

| 1991 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 11p | 8½p | ♥Abbot Energy Corp. | 10¼p | −¼ | – | – | – |
| 1467p | 953p | ♥Amer. Barrick Res. | 1369p | +11 | 8c | – | 0.3 |
| 19½ | 13 | Bk. Montreal ‖ | 18⅞ | +⅞ | $2.12 | – | 5.8 |
| 957p | 536p | Bk. Nova Scot.‖ | 951p | +3 | $1.00 | – | 5.4 |
| 825p | 639p | ♥BC Gas $1 | 804p | −9 | 60c | – | 3.8 |
| 23¼ | 17¼ | BCE ‖ | 22⅞ | .... | $2.56 | – | 5.7 |
| 10½ | 647p | ♥Brascan‖ | 939p | −9 | $1.04 | – | 5.6 |
| 36p | 15½p | ♥Breakwater Res. | 16½p | +1 | 10c | – | – |
| 1717p | 1180p | Can Imp Bank‖ | 1575p | +6 | $1.32 | – | 4.3 |
| 11 | 855p | Can. Pacific ‖ | 977p | −3 | 64c | – | 3.3 |
| 36 | 30 | Do. 4pc Deb £100. | 34 | .... | Q4% | – | 11.8 |

[illegible]

For Varity see Americans

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES – Contd

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICITY

[illegible]

For Scott. Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES

## ENGINEERING

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INSURANCES

[illegible]

هكذا من الأصل

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### Components

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## PROPERTY

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRANSPORT

## TRANSPORT—Contd

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

## FINANCE, LAND, ETC

## WATER

| 1991 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|---|
| 383 | 331 | Anglian £1 | α | 368 | +4 | 17.5 | 2.2 | 6.3 | (8.0) |
| 170 | 135 | East Surrey 10p | | 170 | .... | 8.0 | 2.7 | 6.3 | (6.4) |
| 178 | 155 | Mid Kent Hldgs £1 | | 171 | .... | a8.0 | 2.8 | 6.2 | 6.5 |
| 387 | 323 | North West £1 | α | 367 | +1 | 18.0 | q2.5 | 6.5 | (6.8) |
| 406 | 327 | Northumbrian £1 | α | 374 | +5 | 18.6 | 2.9 | 6.6 | 5.7 |
| 370 | 300 | Severn Trent £1 | α | 332 | +4 | 17.55 | 3.0 | 7.0 | 5.2 |
| 397 | 293 | Southern £1 | α | 329 | -4 | 17.7 | 2.5 | 7.2 | (6.2) |
| 392 | 308 | South West £1 | α | 350 | +5 | 20.0 | q2.7 | 7.6 | (5.3) |
| 394 | 323 | Thames £1 | α | 367 | .... | 17.5 | 2.2 | 6.4 | (7.9) |
| 422 | 341 | Welsh £1 | α | 367 | -1 | 19.5 | 3.4 | 7.1 | 4.5 |
| 456 | 325 | Wessex £1 | α | 389 | +4 | 17.7 | q2.5 | 6.1 | (7.4) |
| 401 | 335 | Yorkshire £1 | α | 384 | +5 | 17.7 | 2.5 | 6.1 | (7.4) |

## OIL AND GAS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES—Contd

### Tins

| 1991 High | Low | Stock | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 25 | 20 | ♥Ayer Hitam SM1 | 25 | .... | Q17½c | - | 15.1 |
| 90 | 45 | Gopeng Berhad M$0.50 | 90 | .... | Q5c | ♦ | 2.6 |
| 57 | 27 | Malaysia Mng 10c | 49 | .... | Q5c | 3.9 | 2.2 |
| 170 | 130 | Petaling SM1 | 170 | .... | ‡Q10c | 1.7 | ‡ |

### Miscellaneous

| 1991 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|---|
| 28 | 14 | ‡‡Aminex Ir50p | γ | 14 | -1 | - | - | - |
| 83 | 25 | Anglesey Mining 9p | β | 25 | .... | - | - | - |
| 53 | 28 | ‡‡Andaman Resources | | 42 | .... | - | - | - |
| 9¼ | 6¼ | Anglo-Dominion | | 6½ | -½ | - | - | - |
| 15 | 6 | ‡‡Barmin Exploration | γ | 15 | +½ | - | - | - |
| 13 | 6 | Butte Mining 10p | α | 6 | .... | - | - | - |
| 19 | 14 | ‡‡Celtic Gold | γ | 15 | .... | - | - | - |
| 22 | 5 | ♥Colby Mines | | 5 | .... | - | - | - |
| 54 | 24 | Cons. Murch. 10c | | 50 | .... | Q30c | 5.5 | 14.3 |
| 13 | 2 | ♥DRX Inc | | 8 | +1 | - | - | - |
| 11¼ | 4½ | ‡‡Dana Exploration | | 4½ | .... | - | - | - |
| For Eglington Explr. see Aminex | | | | | | | | |
| 11½ | 6½ | ‡Ennex Int. Ir10p | γ | 7 | .... | - | - | - |
| 29 | 7 | Europa Minerals 2p | α | 7 | .... | - | - | - |
| 10 | 3 | ‡‡Feltrim Min. Ir20 | | 3½ | .... | - | - | - |
| 17 | 2 | Geevor | β | 2¼ | .... | - | - | - |
| 34 | 20 | ‡‡Glencar Exploration | γ | 20 | .... | - | - | - |
| 26 | 17 | Greenwich Res 5p | α | 17 | .... | - | - | - |
| £6¾ | £3⅝ | Hemlo Gold Mines | | £5⅞ | -⅛ | Q20c | - | 2.0 |

| 1991 High | Low | Stock | | Price | + or - | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|---|
| 11 | 3¼ | ♥Thorco Res. Inc. | | 10¼ | -¼ | - | - | - |
| 10 | 5 | ♥Vizcaya Hldgs 5p | β | 5 | .... | - | - | - |
| 133 | 120 | ♥Young Group 10p | β | 123 | .... | 5.2 | 1.7 | 5.6 |

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | | Price | + or - |
|---|---|---|---|
| Craig & Rose £1 | β | 640 | ...... |
| Finlay Pkg. 5p | β | 28 | ...... |
| Holt (Jos) 25p | β | 1978 | ...... |
| Helton Hldgs | γ | 40 | ...... |
| IRG | | 130 | ...... |
| United Drug | | 171 | ...... |

### IRISH

| Stock | Price | + or - |
|---|---|---|
| Cap. 8½% Ln. 2010 | £93⅞ | ...... |
| 9pc Cap Ln. 1996 | £97⅞ | ...... |
| Fin. 13% 97/02 | £114 | ...... |
| Arnotts | 171 | ...... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| | p |
|---|---|
| Allied-Lyons | 46 |
| Amstrad | 7 |
| Astec (BSR) | 6 |
| BAT | 68 |
| BOC Grp | 31 |
| BTR | 33 |
| Barclays | 38 |
| Blue Circle | 24 |
| Boots | 30 |
| Bowaters | 53 |
| Brit Aerospace | 56 |
| British Steel | 12 |
| Brit. Telecom | 29 |
| Cadburys | 33 |
| Charter Cons | 45 |
| Comm Union | 44 |
| Courtaulds | 32 |
| Eurotunnel | 50 |
| FKI | 6 |
| FNFC | 20 |
| Gen Accident | 48 |
| GEC | 17 |
| Glaxo | 80 |
| Grand Met | 62 |
| Guardian | 19 |
| GKN | 31 |
| Hanson | 19 |
| Hawker Sidd | 39 |
| ICI | 88 |
| Ladbroke | 22 |
| Legal & Gen | 36 |
| Lex Service | 20 |
| Lloyds Bank | 38 |
| Lucas Inds | 13 |
| Marks & Spencer | 21 |
| Midland Bk | 18 |
| Nat West Bk | 27 |
| P & O Dfd | 51 |
| Racal Elect | 18 |
| RHM | 28 |
| Rank Org Ord | 63 |
| Ratners | 17 |
| Reed Intnl | 36 |
| Sears | 8½ |
| SmKl. Beecham A | 58 |
| TI | 45 |
| TSB | 12 |
| Tesco | 21 |
| Thorn EMI | 64 |
| Trust Houses | 23 |
| T&N | 15 |
| Unilever | 60 |
| Vickers | 19 |
| Wellcome | 40 |

### Property

| | |
|---|---|
| Brit Land | 30 |
| Control Secs | 3 |
| Land Securities | 45 |
| MEPC | 48 |
| Mountleigh | 8½ |

### Oils

| | |
|---|---|
| Aviva Petlm | 3 |
| Brit Petroleum | 28 |
| Burmah Castrol | 49 |
| Conroy Petlm | 10 |
| Gaelic Res | 1 |
| Premier | 6 |
| Shell | 41 |
| Tuskar Res | 2 |
| Ultramar | 30 |

### Mines

| | |
|---|---|
| Lonrho | 21 |
| RTZ | 48 |

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# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| High Income | | | | | | |
| Gilts & Fixed Int | 6 | 114.6 | 114.6 | 121 5 | . | 9 47 |
| High Inc Equity | 6 | 132.5 | 136.2xd | 144 8 | -0 8 | 5 87 |
| Worldwide Bond | 6 | 205.1 | 205 1xd | 217 4 | +0 4 | 6.90 |
| Capital Growth | | | | | | |
| American Growth | 6 | 204 8 | 204 8 | 218 8 | +0 9 | 1 00 |
| Asian Pacific | 6 | 127 9 | 130 5 | 138 8 | +0 4 | 1 13 |
| Assets & Earnings | 6 | 176 9 | 180 6 | 192 1 | -1.0 | 3 01 |
| Capital Reserve Acc | 0 | 106 6 | 106 6 | 106.7 | | 7 11 |
| Capital Reserve Inc | 0 | 84 30 | 84 30 | 84 37 | +0.02 | 7 11 |
| Comdty & Energy | 6 | 76 75 | 76 75 | 82.08 | -0 09 | 1 82 |
| 1992 Enterprise | 6 | 63 05 | 63 05 | 67 43 | -0 35 | 2 86 |
| Euro Capital Acc | 6 | 88.22 | 88.22 | 94 35 | -0 19 | 1.44 |
| Euro Capital Inc | 6 | 84.29 | 84 29 | 90 14 | -0 19 | 1 44 |
| General | 6 | 169 1 | 169 1xd | 180.8 | -1 1 | 2 77 |
| Japan | 6 | 94 47 | 94.47 | 101 0 | -1 9 | - |
| Mastertrust | 6 | 89 26 | 89 26 | 95.46 | -0.36 | 2.14 |
| UK Growth Acc | 6 | 158 2 | 158 2 | 169 1 | +0.5 | 2.68 |
| UK Growth Dist. | 6 | 101 7 | 101 7 | 108.7 | +0 3 | 2 70 |
| US Emerging Cos | 6 | 67 63 | 67 63 | 72.33 | +0 15 | - |
| Income & Growth | 6 | 301 2 | 301 2 | 322 1 | -1.5 | 4.35 |
| Ethical | 6 | 50 47 | 50.47 | 53 97 | -0.28 | 3 13 |
| International | 6 | 62.29 | 63 05 | 67 07 | -0 23 | 1.31 |
| Dividend & Growth | 6 | 48 42 | 49 70xd | 52 87 | -0.14 | 5 67 |
| Global Gwth & Sec | 6 | 51.79 | 52 03 | 55 35 | +0.01 | 1 81 |

**Aberforth Unit Trust Managers Ltd (1600)F**
16 Chester St, Edinburgh EH3 7RA 031 220 0733

| | | | | | | |
|---|---|---|---|---|---|---|
| UK Small Cos | 0 | 990 0 | 990 0 | 1040 0 | ... | 0 |

**Abtrust Unit Trust Managers Ltd (1200)H**
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

| | | | | | | |
|---|---|---|---|---|---|---|
| Amer Inc & Growth | 5¼ | 31 13 | 31 13 | 33 01 | -0 01 | 2.41 |
| Cash | 0 | 50 83 | 50 83 | 50 83 | -0.07 | 10.38 |
| European | 5¼ | 71 49 | 71 49 | 75 86 | -0 12 | 0.30 |
| European Income | 5¼ | 74.39 | 74 80 | 78 91 | +0 02 | 1.55 |
| Exempt | 1 | 765 8 | 765 8xd | 791.1 | -3 5 | 5 16 |
| Extra Income | 5¼ | 39 67 | 39 67 | 42 93 | -0 05 | 5 78 |
| Far East Emerg Econs | 5¼ | 50 39 | 50 39xd | 54 33 | -0 07 | 1 18 |
| Fund Inv Tst | 5 | 114 2 | 115 5 | 123.3 | -0 7 | 1 39 |
| Fund Inv Tst Acc | 5 | 184 7 | 186 9 | 199.5 | -1.2 | 1 37 |
| Gilt & Fixed Int | 5¼ | 16 01 | 16.23 | 17.33 | -0 03 | 11 44 |
| Japan | 5¼ | 156.4 | 156 4xd | 165.8 | -1 9 | 0 00 |
| Pacific | 5¼ | 37 17 | 37 25 | 39 89 | -0 03 | 0.38 |
| Property Share | 5¼ | 47 61 | 48.74xd | 52 03 | -0 12 | 4 49 |
| UK Growth | 5¼ | 34.64 | 34 64 | 37 37 | -0 10 | 3.72 |
| World Growth | 5¼ | 48.11 | 48.11 | 51 34 | -0 18 | 0.00 |

**Acorn Unit Trust Managers Ltd (1100)F**
1 White Hart Yd, London Bridge SE1 1NX 071-407 5966

| | | | | | | |
|---|---|---|---|---|---|---|
| Ethical Tst | 5 | 103 2 | 103.2 | 111 4 | +1.3 | 1.50 |

[illegible]

**Bishopsgate Progressive Mgmt Co (1200)F**
15 St James' Place, London SW1A 1NW 071-493 8111

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| Progressive Inc | 5 | 18.74 | 18 74 | 19 78 | .. | 0.87 |
| Progressive Acc | 5 | 28.24 | 28 24 | 29.80 | | 0 87 |
| International Inc | 5 | 19 61 | 19 61xd | 20 70 | | 0 99 |
| International Acc | 5 | 26 65 | 26 65 | 28 13 | | 0 99 |
| Can & Foreign Inc | 5 | 232 1 | 232 1 | 245 0 | | 0.56 |
| Can & Foreign Acc | 5 | 277 4 | 277.4 | 292.8 | | 0 56 |
| Special Sits Inc | 5 | 204 4 | 204 4 | 215 7 | -1.5 | 0 92 |
| Special Sits Acc | 5 | 222 0 | 222 0 | 234 3 | -1 6 | 0 92 |
| PEP Inc | 5 | 133 6 | 135 8 | 143 3 | -1.3 | 3.31 |
| PEP Acc | 5 | 142.7 | 145 0 | 153 0 | -1.4 | 3.31 |
| Growth Inc | 5 | 81 65 | 81 65 | 86 17 | | 0.34 |
| Growth Acc | 5 | 81 98 | 81 98 | 86 52 | | 0 34 |

**Brewin Dolphin Unit Tst Mgrs Ltd (0905)F**
5 Giltspur St, London EC1A 9DE 071-236 6441

| | | | | | | |
|---|---|---|---|---|---|---|
| Dolphin Special Sits | 5½ | 119.7 | 119 7xd | 128.0 | -0 1 | 4.09 |
| Dolphin Dividend | 5½ | 60 23 | 60 23xd | 64 41 | -0.5 | 6 83 |
| Dolphin Int Inc & Gth | 5½ | 158 4 | 158 4xd | 169 4 | -0.5 | 4 72 |
| Dolphin UK & Gen | 5½ | 34 00 | 34 17 | 36 54 | -0.25 | 3 14 |
| Dolphin Fixed Int Fund | 5½ | 47.21 | 49 21 | 52 63 | +0.06 | 1 60 |

**Britannia Life Unit Managers Ltd (1200)F**
190 West George St, Glasgow G2 2PA 041-332 3132

| | | | | | | |
|---|---|---|---|---|---|---|
| Balanced Growth | 6 | 75 99 | 76 29 | 81 59 | +0 17 | 2.71 |
| Do (Accum) | 6 | 80 48 | 80 79 | 86 40 | +0 18 | 2.71 |
| Service Cos | 6 | 62 74 | 62.74 | 67.10 | -0.02 | 2 46 |
| Do (Accum) | 6 | 66 00 | 66 00 | 70 59 | -0.02 | 2 46 |
| Income Growth | 6 | 42 12 | 42.34 | 45 28 | +0 08 | 5.18 |
| Do (Accum) | 6 | 59 48 | 59 78 | 63 94 | +0 09 | 5 18 |
| Higher Yield | 6 | 32 09 | 32 23xd | 34 47 | +0 09 | 5.18 |
| Do (Accum) | 6 | 40.49 | 40.67 | 43.50 | +0.11 | 5.18 |
| American Gth Inc | 6 | 32 45 | 32.45xd | 34 70 | +0 07 | 1 28 |
| Do (Accum) | 6 | 33 06 | 33 06 | 35.36 | +0 07 | 1 28 |
| European Growth | 6 | 26 26 | 26 26 | 28 08 | -0 10 | 1 88 |
| Do (Accum) | 6 | 26.76 | 26 76 | 28.62 | -0 11 | 1 88 |
| Global Bond Inc | 6 | 22 61 | 22 69 | 24 27 | -0 02 | 6 58 |
| Do (Accum) | 6 | 26 13 | 26.22 | 28 05 | -0 02 | 6.58 |
| Managed P'folio Inc | 6 | 25 16 | 25.25 | 27 00 | +0 01 | - |
| (Do Accum) | 6 | 25 16 | 25 25 | 27 00 | +0 01 | - |

**Brown Shipley & Co Ltd (1000)F**
9-17 Perrymount Rd Haywards Hth 0444 412262/3/4/5

| | | | | | | |
|---|---|---|---|---|---|---|
| Mngd P'folio Inc | 6 | 80 80 | 80 80xd | 86 05 | -0 31 | 2 42 |
| Mngd P'folio Acc | 6 | 146 9 | 146 9 | 156 4 | -0.80 | - |
| UK General | 6 | 116.3 | 116 3 | 123 9 | -0 60 | 4 09 |
| Corp & General | 6 | 17 33 | 17.33 | 18 46 | -0.38 | 10.31 |
| European Inc | 6 | 20 87 | 20 87 | 22.46 | -0 05 | 0 50 |
| European Acc | 6 | 21.33 | 21 33 | 22 95 | -0 03 | - |
| Exempt | 3 | 286 6 | 286 6 | 301 6 | -2.00 | 4 39 |
| Financial | 6 | 105 8 | 105 8 | 112.7 | -1.40 | 4 19 |
| German | 6 | 36 89 | 36 89 | 39 56 | +0.15 | 0 10 |
| Growth Inc | 5 | 118 8 | 120 4 | 127 0 | -1.50 | 3.52 |
| Growth Acc | 5 | 133.2 | 135 0 | 142 4 | -1.70 | - |
| High Income | 6 | 65 82 | 65.82 | 70.10 | -0 65 | 6 34 |
| Income | 6 | 97 08 | 97 08 | 103 9 | -0 40 | 5 22 |
| Intl Income | 6 | 79 79 | 79 79xd | 84.98 | -0 10 | 5 67 |
| Intl Growth | 6 | 28 37 | 28 37 | 30 21 | -0 04 | 0.26 |
| Monthly Income | 6 | 56 72 | 58 19 | 61 97 | -0.25 | 5 44 |
| North American | 6 | 76 79 | 77 40 | 82.43 | -0 03 | 0 26 |
| Orient | 6 | 98.70 | 98 70 | 106 2 | -1.30 | - |

[illegible]

**MGM Unit Managers Ltd (1000)H**
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq. 0903 204631

| | | | | | | |
|---|---|---|---|---|---|---|
| High Income F | 5 | 261 2 | 264 9 | 281 8 | -0 8 | 6 22 |
| (Accum Units) F | 5 | 410 9 | 416 7 | 443 2 | -1.3 | 6 22 |
| UK Growth F | 5 | 306 2 | 310 6 | 330 4 | -1 3 | 4 28 |
| (Accum Units) F | 5 | 362.5 | 367 7 | 391 1 | -1 5 | 4 28 |
| Int Equity Gth F | 5 | 51.29 | 51.49 | 54 77 | -0 28 | 1 31 |
| Intl Bond F | 5 | 51 64 | 51 64 | 54 25 | +0.11 | 7 14 |
| Special Sits F | 5 | 16 82 | 17 86 | 18.99 | +0.02 | 3.24 |
| North American F | 5 | 69 98 | 70 12 | 74 59 | +0 27 | 0 84 |
| European Growth F | 6 | 49 42 | 49 67 | 52.83 | -0 21 | 1 46 |

**MW Investment Managers Ltd (0659)F**
4b Court St, Haddington E. Lothian 062 082 5867

| | | | | | | |
|---|---|---|---|---|---|---|
| MW Joint Investors | 0 | 1057 7 | 1057 7 | 1085 2 | - | 4.36 |

**Maldon Unit Trust Managers Ltd (1400)F**
15 St Botolph St, London EC3A 7EE 071 226 6066

| | | | | | | |
|---|---|---|---|---|---|---|
| Maldon General | 0 | 114 6 | 114 6xd | 117 6 | .. | 4.94 |

**Manulife Management Ltd (1200)H**
St George's Way Stevenage Dealings 071-256 5858

| | | | | | | |
|---|---|---|---|---|---|---|
| Growth Units | 5¼ | 134.3 | 135 6 | 144 3 | -0 2 | 3 78 |
| Gilt & Fxd Int. | 3 | 146 8 | 146 8 | 154 4 | -0 1 | 8.20 |
| Intl Growth | 5¼ | 146 0 | 146 0 | 155 3 | -1.9 | 0 48 |
| North American | 5¼ | 97 63 | 97 63xd | 103 9 | -0 4 | 0 54 |
| Far East | 5¼ | 116.8 | 116.8xd | 124.3 | -1 4 | 0 49 |
| UK Smaller Cos | 5¼ | 98 36 | 98 36 | 104 6 | -0 4 | 3.52 |
| European | 5¼ | 53 68 | 53 68xd | 57 26 | -0 15 | 1 00 |
| Japanese Growth | 5¼ | 35 53 | 35 53 | 38 07 | -0.65 | 0 00 |
| Managed P'folio | 5¼ | 49.78 | 50.14 | 53.34 | -0.21 | 1.34 |
| High Income | 5¼ | 151.3 | 153 0 | 162 8 | -0.2 | 6.02 |
| High Yielding Gilt | 5¼ | 61 05 | 61 05xd | 64 93 | +0 03 | 9 75 |
| Cash | | 51 52 | 51 52 | 51 52 | +0 03 | 8.94 |

**Morgan Grenfell Unit Tst Mgrs Ltd (1000)H**
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0123

| | | | | | | |
|---|---|---|---|---|---|---|
| American Gwth | 5¼ | 163 9 | 163.9xd | 174 9 | | 0 85 |
| European Gwth | 5¼ | 196 8 | 196 8 | 209 9 | -0.7 | 0 00 |
| Intl Gwth | 5¼ | 144 2 | 144 2 | 153.3 | -0 4 | 0.00 |
| UK Equity Inc. | 5¼ | 117 1 | 117 1 | 125 8 | -0 9 | 6 43 |
| UK Equity Acc. | 5¼ | 131 9 | 131 9 | 141 7 | -1 0 | 6 43 |
| UK Ind Tracker Inc | 5 | 121 8 | 121 8xd | 130 1 | -1.1 | 3.79 |
| UK Ind Tracker Acc. | 5 | 132.4 | 132 4xd | 141 4 | -1 2 | 3 79 |
| US Eq Ind Tracker Inc | 5 | 145 4 | 145.4 | 155.9 | +0.1 | 2.88 |
| US Eq Ind Tracker Acc | 5 | 150 1 | 150 1 | 160 9 | +0.1 | 2 88 |
| Japan Tracker | 5 | 60 48 | 60.48 | 64.14 | -0 7 | 0 00 |
| Asian Trader | 5¼ | 85 81 | 85 81 | 91 64 | +0.3 | 1.45 |
| Managed Inc | 5¼ | 99.54 | 99.54 | 107.0 | -0.6 | 1.96 |
| Managed Acc | 5¼ | 101.1 | 101.1 | 108.7 | -0 6 | 1.96 |
| Cash Inc | 0 | 100 10 | 100 10xd | 100 10 | +0 06 | 11 02 |
| Cash Acc | 0 | 109 92 | 109 92xd | 109 92 | +0 06 | 11 02 |
| Europa | 5¼ | 104 1 | 104 1xd | 111.3 | +0 2 | 0.00 |

**Geoffrey Morley Unit Mgrs Ltd (1200)F**
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

| | | | | | | |
|---|---|---|---|---|---|---|
| Exempt Unit Tst | 4 | 116 24 | 116.24xd | 123 63 | -0 48 | 2 60 |
| Exempt Smlr Cos | 3¼ | 221.97 | 221.97 | 241.15 | -0 39 | 1 40 |

[illegible]

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

***SCHEME PARTICULARS AND* REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

هكذا من الأصل

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# FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H

[illegible]

Edinburgh Fund Mngrs PLC

[illegible]

Fidelity Investment Services Ltd

[illegible]

Robert Fleming Asset Mngmt Ltd

[illegible]

Albany Life Assurance Co Ltd – Contd.

[illegible]

Century Life Plc

[illegible]

Crusader Insurance PLC

[illegible]

Assicurazioni GENERALI SpA

[illegible]

Legal & General (Unit Pensions) Ltd

[illegible]

Manulife Group – Contd.

[illegible]

Allied Dunbar Assurance Plc

[illegible]

Citibank Life

[illegible]

Gresham Unit Assurance Ltd

[illegible]

Growth & Sec. Life Assce. Soc. Ltd

[illegible]

Eagle Star Life Assurance Co Ltd

[illegible]

Guardian Royal Exchange

[illegible]

Liberty Life Assurance Co Ltd

[illegible]

Merchant Investors Assurance Co Ltd

[illegible]

Life Association of Scotland

[illegible]

City of Westminster Assurance (z)

[illegible]

Eagle Star Insur./Midland Assur.

[illegible]

Hearts of Oak Insurance Group

[illegible]

Economic Insurance Company Ltd

[illegible]

Lifetime Assurance Co Ltd

[illegible]

Mercury Life Assurance Co Ltd

[illegible]

Equitable Life Assurance Society

[illegible]

Henderson Administration(z)

[illegible]

Midland Life Limited

[illegible]

Clerical Medical/Fidelity Investments

[illegible]

London Indemnity & Gnl. Ins. Co Ltd

[illegible]

London Life

[illegible]

Hill Samuel Life Assur. Ltd

[illegible]

American Life Insurance Co UK

[illegible]

Equity & Law

[illegible]

NEL Britannia Assce Co Ltd

[illegible]

Avon Insurance Plc

[illegible]

Barclays Life Assur. Co Ltd

[illegible]

Clerical Medical Investments Group

[illegible]

INSURANCES

AA Friendly Society

[illegible]

Abbey Life Assurance Co Ltd

[illegible]

Eurolife Assurance Company Ltd

[illegible]

London & Manchester Group (z)

[illegible]

Clerical Medical Managed Funds Ltd

[illegible]

Family Assurance Society

[illegible]

Black Horse Life Assurance

[illegible]

Colonial Mutual Group

[illegible]

Homeowners Friendly Society

[illegible]

Ideal Insurance Co Ltd

[illegible]

Irish Life Assurance Co Plc

[illegible]

Friends Provident

[illegible]

Combined Life Assurance Co

[illegible]

Commercial Union Group

[illegible]

Acorn Life Assurance Ltd

[illegible]

Britannia Life Ltd

[illegible]

M & G Life and M & G Pensions

[illegible]

CCL Assurance Ltd

[illegible]

GT Unit Managers Ltd

[illegible]

AEGON Life Assurance Co (UK) Ltd

[illegible]

Lancashire & Yorkshire Assce Society

[illegible]

NEL Pensions Ltd

[illegible]

Canada Life Group

[illegible]

General Accident (z)

[illegible]

Laurentian Life plc

[illegible]

Consolidated Life Assurance Co Ltd

[illegible]

AEtna Life Insurance Co Ltd (z)

[illegible]

Cornhill Insurance PLC

[illegible]

NM Life Assurance Ltd

[illegible]

NM Assurance (z)

[illegible]

Cannon Assurance Ltd (z)

[illegible]

General Portfolio Life Insce Plc

[illegible]

Crown Financial Management Ltd

[illegible]

Manchester Unity Assurance

[illegible]

Legal & General (Unit Assur) Ltd

[illegible]

Manulife Group (The)

[illegible]

Albany Life Assurance Co Ltd

[illegible]

Shackleford Sorl Mgrs Ltd (1200)F

[illegible]

Sun Alliance Unit Tst Mngmt Ltd (1200)F

[illegible]

Sun Life of Canada Unit Mgrs Ltd (1000)H

[illegible]

Sun Life Trust Mngmt Ltd (1200)H

[illegible]

Swiss Life Unit Tst Man Co Ltd (1200)F

[illegible]

TSB Unit Trusts (1200)H

[illegible]

Target Trust Mngrs Ltd (1200)F

[illegible]

Templeton Unit Trust Managers Ltd (1200)F

[illegible]

Thornton Unit Managers Ltd (1000)F

[illegible]

Three Counties Asset Mngmt Ltd (1430)F

[illegible]

Tindal Tst Mngrs Ltd (0900)F

[illegible]

Touche Remnant Unit Tst Mngt Ltd (1600)F

[illegible]

Trades Union Unit Tst Mngrs (1200)H

[illegible]

United Charities Unit Trusts (1000)H

[illegible]

Wardley Unit Tst Mngrs Ltd (1300)F

[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F

[illegible]

Wesleyan Asset Management (1200)F

[illegible]

Whittingdale Unit Tst Mgmt Ltd (0830)F

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H

[illegible]

## OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

[illegible]

James Capel Fund Managers Ltd

[illegible]

Central Bd. of Fin. of Church of England

[illegible]

Charities/Charishares (1000)F

[illegible]

CAFINVEST–Charities Aid Foundation

[illegible]

COIF–Charities Official Inv Fd

[illegible]

Lazard Brothers & Co. Ltd

[illegible]

Lazard Investors Ltd

[illegible]

Local Authorities Mutual Invest. Tst.

[illegible]

Funds in Court

[illegible]

Henderson Unit Trust Management Ltd

[illegible]

INVESCO MIM Management Ltd

[illegible]

M & G Securities Ltd

[illegible]

Morgan Grenfell Unit Trust Managers Ltd

[illegible]

Murray Johnstone UT Mngmt

[illegible]

Phillips & Drew Fund Management Ltd

[illegible]

Rothschild Asset Management

[illegible]

J. Rothschild Fund Managers Ltd

[illegible]

Stewart Ivory & Co Ltd

[illegible]

Thornton Unit Managers Ltd

[illegible]

Touche Remnant Unit Tst Mngt Ltd

[illegible]

Continued on next page

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### N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Life Managed Fd | 107 5 | 113 2 | -0 2 | - |
| Pension Managed Fd | 106 0 | 111 6 | -0 2 | - |
| Life Deposit Fd | 108 7 | 114 4 | +0 1 | - |
| Pension Deposit Fd | 114 4 | 120 4 | +0 1 | - |

### National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury HP19 3XJ 0296 395539

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Managed Cautionary | 111.4 | 117.3 | -0 3 | - |
| Managed Growth | 138 | 145 3 | -0 4 | - |
| Managed Opportunity | 138 8 | 146 2 | -0.3 | - |
| NFMC Target Financial | 105 | 110 6 | -0 1 | - |
| **Pension Funds** | | | | |
| Managed Cautionary | 121 8 | 128 3 | -0 3 | - |
| Managed Growth | 146 2 | 153 9 | -0 4 | - |
| Managed Opportunity | 139 1 | 146 5 | -0.3 | - |
| NFMC Target Mngd Pens | 1540 1 | 1621 2 | -4 7 | - |

### National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Harvester Pension Funds** | | | | |
| Managed | 164 3 | 173 0 | . | - |
| UK Equity | 172 9 | 182 0 | | - |
| Overseas Equity | 136 7 | 143 9 | | - |
| Fixed Interest | 148 9 | 156 7 | | - |
| Property | 131 9 | 138 9 | | - |
| Index Linked | 147 3 | 155 1 | | - |
| Deposit | 159 4 | 167 8 | | - |
| With Profits (B) | 130 6 | 137 5 | ... | - |

### National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed | 355 3 | 374 0 | -0 7 | - |
| UK Equity | 447 0 | 470 6 | -0 7 | - |
| Overseas Eq | 351 9 | 370 5 | -1 3 | - |
| America | 290 5 | 305 9 | +0 6 | - |

### Prosperity Life Assurance Ltd

1 Sessions Hse Sq, Maidstone ME14 1XX

| | Bid Price | Offer Price |
|---|---|---|
| Initial Equity | 150 0 | 158 5 |
| Accum Equity | 216 0 | 228 0 |
| Accum Managed | 225.5 | 238.0 |
| Accum Five Star | 170 0 | 179.5 |
| Accum World | 124.5 | 131 5 |
| Accum Lifetime | 110 3 | 110 3 |
| Pens Acc Equity | 232 0 | 244 5 |
| Pens Acc Managed | 279 0 | 294 5 |
| Pens Acc Intl | 209.0 | 220.5 |
| Pens Acc Deposit | 202.0 | 213 5 |
| Pens Acc Five Star | 185 5 | 196 0 |

### Providence Capital Life Assc. Co Ltd

2 Bartley Way, Hook, Hants RG27 9XA

| | Bid Price | Offer Price |
|---|---|---|
| UK Equity Acc | 227 8 | 240 4 |
| UK Fixed Int Acc | 180 2 | 190 1 |
| Intl Equities Acc | 177 1 | 186 9 |
| UK Managed Acc | 175 2 | 184 8 |
| Property Acc | 224 9 | 237 3 |
| Money Acc | 130 7 | 137.9 |
| Special Market Acc | 144 1 | 152 1 |
| Japan Equity Acc | 100 0 | 105.5 |
| North American Acc | 107.8 | 113 8 |
| Pacific Acc | 96.0 | 101 3 |
| Technology Acc | 122.9 | 129 7 |
| Nat Resources Acc | 58 5 | 61 8 |
| European Acc | 101 9 | 107 5 |
| Residential Prop Acc | 96.3 | 101 6 |
| Swiss Equities Acc | 34 7 | 36 7 |
| Hong Kong Acc | 69.5 | 73 4 |
| UK High Inc Eq Acc | 73 6 | 77.7 |
| Int Fixed Interest Acc | 58 4 | 61 7 |
| Int Managed Acc | 56 9 | 60 0 |
| HIP Managed Acc | 119 4 | 125 9 |
| HIP Managed II Acc | 101 2 | 106 7 |
| HIP Managed III Acc | 108 4 | 114.3 |
| **Total Investment Bond** | | |
| UK Equity Initial | | 154 9 |
| UK Fixed Int Initial | | 122 7 |
| Intl Equities Initial | | 119.8 |
| UK Managed Initial | | 119.3 |

## OFFSHORE INSURANCES

## OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

## CANADA (SIB RECOGNISED)

## GUERNSEY (SIB RECOGNISED)

## GUERNSEY (REGULATED)

## JERSEY (SIB RECOGNISED)

## MANAGEMENT SERVICES

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **U.S. Treasury Securities Fund Ltd** | | | | |
| Short Term Shares | $769.76 | | | - |
| Fund Income Shares | $898.25 | | | - |
| **Yamaichi Capital Mangmt (Guernsey) Ltd** | | | | |
| Japan Mega Growth | $10.06 | | -0.13 | - |
| Yamaichi (SS Fund | $7.41 | | -0.13 | - |
| Yamaichi CB Plus Fund | $8.00 | | -0.10 | - |
| Thai Inv Fund | $9.68 | | | - |
| Yamaichi OTC Equity (z) | $9.37 | | -0.09 | - |

## IRELAND (SIB RECOGNISED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **GAM Fund Management Ltd (u)** | | | | | | |
| 79 Kildare Street, Dublin 010 353 1760 630 | | | | | | |
| GAM Universal US Dlr Acc | 5- | | 110.35 | | | - |
| GAM Universal US Dlr Inc | 5- | | 108.14 | | | - |
| GAM Universal DM Acc | DM- | | 120.21 | | | - |
| GAM Universal DM Inc | DM- | | 117.51 | | | - |
| **MI Global Asset Mngmt Co Ltd "MI Trusts"** | | | | | | |
| MI Global Dollar | 5- | | 1.00 | 1.07 | -0.01 | - |

## IRELAND (REGULATED)(**)

**Bank of Ireland Unit Managers Ltd**

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

**John Govett – Contd.**

**Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F**

PO Box 63 Bond Street, St. Helier, Jersey

**INVESCO MIM International (Jersey) Ltd**

PO Box 271, St Helier, Jersey

**Lloyds Bank (CI) U/T Mgrs.**

PO Box 195, St Helier, Jersey

Dealing daily

**Midland Bank Fund Managers (Jersey) Ltd**

PO Box 26, St Helier, Jersey

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

**MANAGED FUNDS NOTES**

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar drifts as it waits

CURRENCIES SHOWED very little movement yesterday, as the foreign exchange market waited for Thursday's meeting of the German Bundesbank council. A recent rise in German inflation has encouraged speculation that the first meeting after the council's summer break will result in tighter monetary policy.

Recent comments by German officials, including Mr Helmut Schlesinger, the Bundesbank's president, have pointed towards a rise in the central bank's discount rate from the present level of 6.5 per cent. This is now regarded as seriously out of line with market rates of at least 9 per cent, giving an unacceptable subsidy to commercial banks on their borrowings, as far as the Bundesbank is concerned.

At the same time the level of market rates has climbed to a level where the 9 per cent Lombard facility also represents an attractive borrowing medium for the banks, leading to suggestions that this may also be increased on Thursday.

This is not yet putting any strong upward pressure on the D-Mark, possibly because of worries about a slowdown in the German economy later this year, while inflation and a weak balance of payments fail to provide comfort.

Nevertheless the US situation is also giving cause for concern after recent economic data has suggested that economic recovery is on the verge of stalling. Mr Marlin Fitzwater, White House spokesman, has tried to play down any US economic problems recently and said yesterday that "the nation is coming out of recession," and that "our position is quite good."

He was responding to questions about extending US unemployment benefits at a time when the authorities appear to be more concerned about getting the economy moving than about inflation. Mr Fitzwater reacted to the latest US producer prices last Friday by saying that inflation "appears to be low and under control."

Recent US economic news has encouraged suggestions that the Federal Reserve will ease its monetary stance again, even though it was only last week when the last cut was made in the Federal funds target rate.

At the London close the dollar had fallen to DM1.7250 from DM1.7275; to Y136.50 from Y136.80; to SFr1.5100 from SFr1.5135; and to FFr5.8675 from SFr5.8750. On Bank of England figures the dollar's index rose to 66.3 from 66.2.

Sterling showed very little movement overall, remaining on the sidelines as dealers waited for possible moves from the Bundesbank and the Federal Reserve.

The pound rose 20 points to \$1.6980. It was unchanged at DM2.9300, while easing to FFr9.9625 from FFr9.9650; to SFr2.5650 from SFr2.5675; and to Y231.75 from Y232.00. Sterling's index closed unchanged at 90.8.

Within the European exchange rate mechanism there were no changes in the grid positions.

### £ IN NEW YORK

| Aug 12 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6980-1.6990 | 1.6930-1.6940 |
| 1 month | 0.81-0.79pm | 0.77-0.75pm |
| 3 months | 2.17-2.14pm | 2.19-2.16pm |
| 12 months | 6.95-6.85pm | 6.93-6.83pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Aug.12 | Previous |
|---|---|---|
| 8.30 am | 90.8 | 90.9 |
| 9.00 am | 90.8 | 90.9 |
| 10.00 am | 90.8 | 90.9 |
| 11.00 am | 90.8 | 90.9 |
| Noon | 90.8 | 90.9 |
| 1.00 pm | 90.8 | 90.0 |
| 2.00 pm | 90.7 | 90.8 |
| 3.00 pm | 90.8 | 90.8 |
| 4.00 pm | 90.8 | 90.8 |

### CURRENCY MOVEMENTS

| Aug 12 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 90.8 | −20.6 |
| U S Dollar | 66.3 | −12.5 |
| Canadian Dollar | 105.8 | +2.9 |
| Austrian Schilling | 108.9 | +11.5 |
| Belgian Franc | 110.4 | −2.6 |
| Danish Krone | 107.7 | +2.4 |
| D-Mark | 116.9 | +23.7 |
| Swiss Franc | 108.9 | +17.4 |
| Dutch Guilder | 113.1 | +16.3 |
| French Franc | 102.0 | −13.7 |
| Lira | 98.0 | −20.3 |
| Yen | 137.8 | +69.3 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug 12

### CURRENCY RATES

| Aug 12 | Bank § rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | – | 0.789389 | 0.700277 |
| U S Dollar | 5.50 | 1.34433 | 1.18697 |
| Canadian $ | 8.95 | 1.54141 | 1.36122 |
| Austrian Sch | 7 | 16.2624 | 14.4264 |
| Belgian Franc | 7.50 | 47.6162 | 42.2413 |
| Danish Krone | 9 | 8.94988 | 7.93964 |
| D-Mark | 6.50 | 2.31063 | 2.04990 |
| Dutch Guilder | 7.75 | 2.60450 | 2.31115 |
| French Franc | 10¼ | 7.86299 | 6.97285 |
| Italian Lira | 11½ | 1731.34 | 1535.76 |
| Japanese Yen | 5.50 | 183.098 | 162.045 |
| Norway Krone | 8 | 9.02852 | 8.01976 |
| Spanish Peseta | – | 144.723 | 128.498 |
| Swedish Krona | 10.00 | 8.36627 | 7.45536 |
| Swiss Franc | 6.00 | 2.02429 | 1.79470 |
| Greek Drach | 19 | N/A | 226.699 |
| Irish Punt | – | N/A | 0.767173 |

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug 12

### OTHER CURRENCIES

| Aug 12 | £ | $ |
|---|---|---|
| Argentina | 16750.5 - 16776.5 | 9900.00 - 9910.00 |
| Australia | 2.1640 - 2.1650 | 1.2755 - 1.2765 |
| Brazil | 600.280 - 601.160 | 355.200 - 355.500 |
| Finland | 7.1005 - 7.1130 | 4.2000 - 4.2030 |
| Greece | 320.450 - 326.850 | 189.010 - 190.790 |
| Hong Kong | 13.2105 - 13.2265 | 7.7675 - 7.7695 |
| Iran | 115.80* | 67.90* |
| Korea(Sth) | 1228.75 - 1248.55 | 727.00 - 732.80 |
| Kuwait | 0.49725 - 0.49735 | 0.29105 - 0.29115 |
| Luxembourg | 60.55 - 60.65 | 35.65 - 35.75 |
| Malaysia | 4.6905 - 4.6990 | 2.7750 - 2.7770 |
| Mexico | 5095.35 - 5100.15 | 3015.00 - 3016.00 |
| N.Zealand | 2.9640 - 2.9675 | 1.7470 - 1.7490 |
| Saudi Ar | 6.3265 - 6.3405 | 3.7500 - 3.7510 |
| Singapore | 2.9125 - 2.9195 | 1.7210 - 1.7230 |
| S.Af (Cm) | 4.8285 - 4.8385 | 2.8555 - 2.8570 |
| S.Af (Fn) | 5.5620 - 5.5995 | 3.2785 - 3.3005 |
| Taiwan | 45.30 - 45.40 | 26.70 - 26.75 |
| U.A.E. | 6.1940 - 6.2705 | 3.6715 - 3.6735 |

* Selling rate.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Aug 12 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 133.631 | 128.498 | −3.84 | 5.29 | 67 |
| Belgian Franc | 42.4032 | 42.2413 | −0.38 | 1.63 | 24 |
| D-Mark | 2.05586 | 2.04990 | −0.29 | 1.54 | 25 |
| Dutch Guilder | 2.31643 | 2.31115 | −0.23 | 1.48 | 17 |
| Italian Lira | 1538.24 | 1535.76 | −0.16 | 1.41 | 13 |
| Irish Punt | 0.767417 | 0.767173 | −0.03 | 1.28 | 6 |
| Sterling | 0.696904 | 0.700277 | 0.48 | 0.76 | −10 |
| French Franc | 6.89509 | 6.97285 | 1.13 | 0.12 | −56 |
| Danish Krone | 7.84195 | 7.93964 | 1.25 | 0.00 | −52 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Aug 12 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6865 - 1.6995 | 1.6975 - 1.6985 | 0.81-0.79cpm | 5.65 | 2.17-2.14pm | 5.08 |
| Canada | 1.9415 - 1.9490 | 1.9480 - 1.9490 | 0.44-0.35cpm | 2.43 | 1.12-0.99pm | 2.17 |
| Netherlands | 3.2950 - 3.3075 | 3.2975 - 3.3075 | ⅝-⅜cpm | 1.82 | 1¼-1⅛pm | 1.44 |
| Belgium | 60.15 - 60.65 | 60.55 - 60.65 | 14-9cpm | 2.28 | 28-21pm | 1.62 |
| Denmark | 11.3190 - 11.3530 | 11.3425 - 11.3525 | 2-1¼orepm | 1.72 | 4⅝-3⅝pm | 1.41 |
| Ireland | 1.0940 - 1.0985 | 1.0975 - 1.0985 | par-0.05pdis | −0.27 | par-0.10dis | −0.18 |
| Germany | 2.9245 - 2.9325 | 2.9275 - 2.9325 | ½-¼pfpm | 1.79 | 1¼-1pm | 1.45 |
| Portugal | 251.25 - 252.60 | 251.60 - 252.60 | 24-110cdis | −3.19 | 161-249dis | −3.25 |
| Spain | 182.95 - 184.40 | 183.10 - 184.40 | 13-35cdis | −1.89 | 69-85dis | −1.68 |
| Italy | 2189.25 - 2197.05 | 2193.25 - 2194.25 | par-2liredis | −0.55 | 3-6dis | −0.82 |
| Norway | 11.4290 - 11.5025 | 11.4650 - 11.4750 | 1⅝-⅝orepm | 1.05 | 2¾-1¾pm | 0.78 |
| France | 9.9480 - 9.9810 | 9.9575 - 9.9675 | 1⅝-1⅛cpm | 1.51 | 3⅛-2⅝pm | 1.18 |
| Sweden | 10.6260 - 10.6650 | 10.6550 - 10.6650 | ⅞-⅛orepm | 0.70 | 2-1¼pm | 0.59 |
| Japan | 231.10 - 232.25 | 231.25 - 232.25 | ¾-⅝ypm | 3.56 | 2¼-1⅝pm | 3.34 |
| Austria | 20.57 - 20.63 | 20.59 - 20.62 | 3⅞-3⅛gropm | 2.22 | 8⅞-6pm | 1.44 |
| Switzerland | 2.5600 - 2.5700 | 2.5600 - 2.5700 | ¾-⅝cpm | 3.22 | 2-1¾pm | 2.92 |
| Ecu | 1.4290 - 1.4320 | 1.4295 - 1.4305 | 0.16-0.11cpm | 1.13 | 0.34-0.27pm | 0.85 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.95-3.90cpm. 12 Month 6.90-6.80cpm

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Aug 12 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.6865 - 1.6995 | 1.6975 - 1.6985 | 0.81-0.79cpm | 5.65 | 2.17-2.14pm | 5.08 |
| Ireland† | 1.5415 - 1.5510 | 1.5500 - 1.5510 | 0.58-0.53cpm | 4.30 | 1.70-1.60pm | 4.26 |
| Canada | 1.1460 - 1.1470 | 1.1460 - 1.1470 | 0.29-0.32cdis | −3.19 | 0.82-0.87dis | −2.95 |
| Netherlands | 1.9425 - 1.9555 | 1.9440 - 1.9450 | 0.61-0.64cdis | −3.86 | 1.79-1.84dis | −3.73 |
| Belgium | 35.50 - 35.75 | 35.65 - 35.75 | 10.00-12.00cdis | −3.70 | 29.00-35.00dis | −3.59 |
| Denmark | 6.6800 - 6.7070 | 6.6800 - 6.6850 | 2.05-2.35oredis | −3.95 | 5.95-6.55dis | −3.74 |
| Germany | 1.7220 - 1.7345 | 1.7245 - 1.7255 | 0.55-0.57pfdis | −3.90 | 1.59-1.63dis | −3.73 |
| Portugal | 148.70 - 148.80 | 148.70 - 148.80 | 95-115cdis | −8.47 | 300-330dis | −8.47 |
| Spain | 107.90 - 108.70 | 108.00 - 108.10 | 66-70cdis | −7.55 | 182-190dis | −6.89 |
| Italy | 1291.00 - 1299.00 | 1291.75 - 1292.25 | 6.50-7.00liredis | −6.27 | 18.70-19.70dis | −5.94 |
| Norway | 6.7430 - 6.7750 | 6.7525 - 6.7575 | 2.45-2.75oredis | −4.62 | 7.20-7.70dis | −4.41 |
| France | 5.8630 - 5.9010 | 5.8650 - 5.8700 | 2.04-2.07dis | −4.20 | 5.81-5.91dis | −3.99 |
| Sweden | 6.2615 - 6.3060 | 6.2750 - 6.2800 | 2.47-2.73oredis | −4.97 | 7.60-8.05dis | −4.99 |
| Japan | 136.15 - 136.80 | 136.45 - 136.55 | 0.20-0.22ydis | −1.85 | 0.54-0.56dis | −1.61 |
| Austria | 12.1330 - 12.2050 | 12.1940 - 12.1990 | 3.75-4.20grodis | −3.91 | 10.70-11.90dis | −3.71 |
| Switzerland | 1.5075 - 1.5165 | 1.5095 - 1.5105 | 0.28-0.31cdis | −2.34 | 0.82-0.88dis | −2.25 |
| Ecu | 1.1815 - 1.1895 | 1.1885 - 1.1895 | 0.46-0.43cpm | 4.49 | 1.28-1.22pm | 4.21 |

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Aug 12 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 11⅛ - 11 | 11⅛ - 11 | 11 1/16 - 10 15/16 | 10 15/16 - 10 13/16 | 10 13/16 - 10¾ | 10 13/16 - 10 11/16 |
| US Dollar | 5⅝ - 5½ | 5⅝ - 5½ | 5¾ - 5⅝ | 5¾ - 5⅝ | 5 15/16 - 5 13/16 | 6 3/16 - 6 1/16 |
| Can. Dollar | 8⅝ - 8⅜ | 8¾ - 8⅝ | 8⅝ - 8½ | 8 9/16 - 8 7/16 | 8⅝ - 8½ | 8 11/16 - 8 9/16 |
| Dutch Guilder | 9⅛ - 9 | 9⅛ - 8⅞ | 9⅛ - 8 15/16 | 9⅜ - 9¼ | 9½ - 9⅜ | 9½ - 9⅜ |
| Swiss Franc | 8 - 7⅝ | 8 - 7⅝ | 7⅞ - 7¾ | 7 15/16 - 7 13/16 | 7 15/16 - 7 13/16 | 7 15/16 - 7 13/16 |
| D-Mark | 9 1/16 - 8 15/16 | 9 1/16 - 8 15/16 | 9 3/16 - 9 1/16 | 9 7/16 - 9 5/16 | 9 9/16 - 9 7/16 | 9⅝ - 9½ |
| French Franc | 9⅛ - 9 | 9¼ - 9⅛ | 9 7/16 - 9 5/16 | 9⅝ - 9½ | 9¾ - 9⅝ | 9 15/16 - 9 13/16 |
| Italian Lira | 12 - 10 | 11½ - 10¼ | 11⅝ - 11⅛ | 11⅝ - 11⅛ | 12 - 11½ | 12⅛ - 11 13/16 |
| Belgian Franc | 8 13/16 - 8 11/16 | 9 - 8¾ | 9⅛ - 9 | 9⅜ - 9¼ | 9 9/16 - 9 7/16 | 9⅝ - 9½ |
| Yen | 7⅝ - 7½ | 7½ - 7⅜ | 7½ - 7⅜ | 7⅜ - 7¼ | 7⅜ - 7¼ | 6 15/16 - 6 13/16 |
| Danish Krone | 9⅛ - 9 | 9⅛ - 9 | 9¼ - 9⅛ | 9½ - 9⅜ | 9 11/16 - 9 9/16 | 9 11/16 - 9 9/16 |
| Asian $Sing | 4½ - 4 | 4⅝ - 4⅛ | 5½ - 5⅜ | 5 9/16 - 5 7/16 | 5 11/16 - 5 9/16 | 6 - 5⅞ |

Long term Eurodollars: two years 7-6⅞ per cent; three years 7½-7⅜ per cent; four years 7 13/16-7 11/16 per cent; five years 8⅛-8 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Aug.12 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | ECU |
|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.698 | 2.930 | 231.8 | 9.963 | 2.565 | 3.303 | 2194 | 1.949 | 60.60 | 1.430 |
| $ | 0.589 | 1 | 1.726 | 136.5 | 5.867 | 1.511 | 1.945 | 1292 | 1.148 | 35.69 | 0.842 |
| DM | 0.341 | 0.580 | 1 | 79.11 | 3.400 | 0.875 | 1.127 | 748.8 | 0.665 | 20.68 | 0.488 |
| YEN | 4.314 | 7.325 | 12.64 | 1000. | 42.98 | 11.07 | 14.25 | 9465 | 8.408 | 261.4 | 6.169 |
| F Fr. | 1.004 | 1.704 | 2.941 | 232.7 | 10. | 2.575 | 3.315 | 2202 | 1.956 | 60.83 | 1.435 |
| S Fr. | 0.390 | 0.662 | 1.142 | 90.37 | 3.884 | 1 | 1.288 | 855.4 | 0.760 | 23.63 | 0.558 |
| H Fl. | 0.303 | 0.514 | 0.887 | 70.18 | 3.016 | 0.777 | 1 | 664.2 | 0.590 | 18.35 | 0.433 |
| Lira | 0.456 | 0.774 | 1.335 | 105.7 | 4.541 | 1.169 | 1.505 | 1000. | 0.888 | 27.62 | 0.652 |
| C$ | 0.513 | 0.871 | 1.503 | 118.9 | 5.112 | 1.316 | 1.695 | 1126 | 1 | 31.09 | 0.734 |
| B Fr. | 1.650 | 2.802 | 4.835 | 382.5 | 16.44 | 4.233 | 5.450 | 3620 | 3.216 | 100. | 2.360 |
| ECU | 0.699 | 1.187 | 2.049 | 162.1 | 6.967 | 1.794 | 2.310 | 1534 | 1.363 | 42.38 | 1 |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

[illegible]

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls September | Calls December | Calls March | Puts September | Puts December | Puts March |
|---|---|---|---|---|---|---|
| 102 | - | - | - | - | 0.21 | 0.50 |
| 103 | - | - | - | 0.02 | 0.36 | - |
| 104 | 1.07 | - | - | 0.08 | 0.64 | 1.07 |
| 105 | 0.35 | 1.13 | 1.53 | 0.37 | 1.00 | 1.48 |
| 106 | 0.09 | 0.67 | - | - | - | - |
| 107 | 0.02 | 0.37 | 0.74 | - | - | - |
| Open Int | 140,343 | 56,676 | 17,040 | 103,357 | 40,262 | 19,900 |

Estimated volume 13,976 Total Open Interest 377,578

* Contracts traded on APT after trading hours

### POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth | 12-mth. |
|---|---|---|---|---|
| 1.6980 | 1.6900 | 1.6765 | 1.6588 | 1.6295 |

IMM-STERLING $s per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| Sep | 1.6848 | 1.6882 | 1.6838 | 1.6860 |
| Dec | 1.6640 | 1.6676 | 1.6640 | 1.6660 |
| Mar | - | - | 1.6476 | 1.6496 |

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 11 | Co-operative Bank | 11 | McDonnell Douglas Bnk | 11 |
| Allied Trust Bank | 11 | Coutts & Co | 11 | Midland Bank | 11 |
| AIB Bank | 11 | Cyprus Popular Bk | 11 | Mount Banking | 11 |
| ● Henry Ansbacher | 11 | Dunbar Bank PLC | 11 | NatWestminster | 11 |
| B & C Merchant Bank | 11 | Duncan Lawrie | 11 | Northern Bank Ltd | 11 |
| Bank of Baroda | 11 | Equatorial Bank plc | 11 | Nykredit Mortgage Bank | 12 |
| Banco Bilbao Vizcaya | 11 | Exeter Bank Limited | 11½ | Provincial Bank PLC | 14 |
| Bank of Cyprus | 11 | Financial & Gen. Bank | 11.5 | Roxburghe Bank Ltd. | 12 |
| Bank of Ireland | 11 | First National Bank Plc | 14 | Royal Bk of Scotland | 11 |
| Bank of India | 11 | ● Robert Fleming & Co. | 11 | ● Smith & Williamson Secs. | 11 |
| Bank of Scotland | 11 | Robert Fraser & Ptnrs. | 11½ | Standard Chartered | 11 |
| Banque Belge Ltd | 11 | Girobank | 11 | TSB | 11 |
| Barclays Bank | 11 | ● Guinness Mahon | 11 | Unibank plc | 11 |
| Beachmark Bank | 11 | ● Hambros Bank | 11 | ● United Bk of Kuwait | 11 |
| Brit Bk of Mid East | 11 | Hampshire Trust Plc | 13.5 | Unity Trust Bank Plc | 11 |
| ● Brown Shipley | 11 | Heritable & Gen Inv Bnk. | 11 | Western Trust | 11 |
| CL Bank Nederland | 11 | ● Hill Samuel | 11 | Westpac Bank Corp. | 11 |
| Citibank NA | 11 | C. Hoare & Co. | 11 | Whiteaway Laidlaw | 11 |
| City Merchants Bank | 11 | Hongkong & Shanghai | 11 | Yorkshire Bank | 11 |
| Clydesdale Bank | 11 | ● Leopold Joseph & Sons | 11 | | |
| Comm. Bk of London Plc | 11 | Lloyds Bank | 11 | | |
| | | Meghraj Bank Ltd | 11 | | |

● Members of British Merchant Banking & Securities Houses Association.

## MONEY MARKETS

# Rates hold steady

RATES HELD steady on the London money market yesterday, showing little reaction to an upward revision in June UK retail sales to 1.5 from 1.3 per cent. This week's meeting of the German Bundesbank council is expected to dominate sentiment.

Three-month sterling interbank was unchanged at 11-10 15/16 per cent and 12-month money was steady at 10 13/16-10 11/16 per cent.

Short sterling futures weakened on the retail sales news and the fear of higher German interest rates. September delivery fell to 89.22 from 89.25 and the December contract declined to 89.67 from 89.71.

There was a large shortage of day-to-day credit on the cash market. The Bank of England initially forecast a shortage of £1,250m, but this was revised to £1300m at noon and to £1,350m in the afternoon. Total assistance of £1,102m was provided.

An early round of help was offered and at that time the authorities bought £578m bills for resale to the market in equal amounts on August 29 and 30, at an interest rate of 10 13/16 per cent.

In further operations before lunch the Bank of England purchased £120m bills, including £100m bank bills outright in band 1 at 10⅞ per cent. Another £20m were bought for resale to the market in equal amounts on August 29 and 30 at a rate of 10 13/16 per cent.

In the afternoon £204m bank bills were purchased outright in band 1 at 10⅞ per cent. Late assistance of around £200m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £981m, with the unwinding of repurchase agreements on bills absorbing £1,182m, and bank balances below target £50m. These outweighed exchequer transactions adding £330m to liquidity and a fall in the note circulation of £635m.

In Brussels the Belgian National Bank left its seven-day advances rate at 8.75 per cent at a fixed-rate tender against government paper and commercial bills.

In Frankfurt call money hovered around the 9 per cent Lombard emergency funding rate ahead of Thursday's Bundesbank council meeting. This week's securities repurchase tender is expected to see bids higher than last week's 8.90 per cent level for one-month funds, on fears of an early increase in official rates.

**UK clearing bank base lending rate**
**11 per cent**
**from July 12, 1991**

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Aug.12) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 5⅝ | offer 5¾ | bid 5 13/16 | offer 5 15/16 |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

NEW YORK — Treasury Bills and Bonds

| Lunchtime | | | | | |
|---|---|---|---|---|---|
| Prime rate | 8½ | One month | - | Three year | 6.85 |
| Broker loan rate | 7¾ | Two month | - | Four year | 7.04 |
| Fed.funds | 5⅝ | Three month | 5.46 | Five year | 7.47 |
| Fed.funds at intervention | 5½ | Six month | 5.59 | Seven year | 7.79 |
| | | One year | 5.78 | 10-year | 7.96 |
| | | Two year | 6.46 | 30-year | 8.22 |

| Aug.12 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.95-9.05 | 8.90-9.05 | 9.00-9.15 | 9.15-9.30 | 9.30-9.50 | 9.00 |
| Paris | 9⅛-9⅜ | 9¼-9⅜ | 9⅜-9½ | 9 7/16-9 9/16 | 9⅝-9 11/16 | 9.25 |
| Zurich | 7⅝-7⅞ | 7⅝-7⅞ | - | 7⅞-8 | - | - |
| Amsterdam | 9.00-9.12 | 9.12-9.22 | - | 9.32-9.40 | - | - |
| Tokyo | 7⅜-7⅝ | 7 11/16-7 13/16 | - | 7⅝-7 11/16 | - | - |
| Milan | 10⅝-11 | 11⅜-11⅝ | - | 11⅝-12⅛ | - | - |
| Brussels | 8.76-8.88 | 9⅛-9⅜ | - | 9⅛-9⅜ | - | - |
| Dublin | 9⅝-9⅞ | 9⅞-10 | 10-10⅛ | 10⅛-10¼ | 10 3/16-10 5/16 | - |

### LONDON MONEY RATES

| Aug 12 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 12 | 11¼ | 11⅛ | 11 | 10 15/16 | 10¾ |
| Interbank Bid | 11 | 11 | 11 | 10⅞ | 10 13/16 | 10⅝ |
| Sterling CDs | - | - | 11 1/16 | 10 15/16 | 10¾ | 10 11/16 |
| Local Authority Deps. | 11 | 11 | 11 | 10 15/16 | 10 13/16 | 10¾ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 11½ | 11 | 10 15/16 | 10⅝ | - | - |
| Company Deposits | - | - | 11 1/16 | 11 | 10 15/16 | 10¾ |
| Finance House Deposits | - | - | 11 1/16 | 10 15/16 | 10 13/16 | 10 11/16 |
| Treasury Bills (Buy) | - | - | 10 25/32 | 10 9/16 | 10 | - |
| Bank Bills (Buy) | - | - | 10 13/16 | 10 13/16 | 10⅛ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 5.69 | 5.70 | 5.85 | 6.13 |
| SDR Linked Dep. Offer | - | - | 7⅜ | 7 11/16 | 7⅞ | 8 |
| SDR Linked Dep. Bid | - | - | 7¼ | 7⅝ | 7¾ | 7⅞ |
| ECU Linked Dep. Offer | - | - | 9 11/16 | 9⅞ | 9 15/16 | 10 |
| ECU Linked Dep. Bid | - | - | 9 9/16 | 9¾ | 9 13/16 | 9⅞ |

Treasury Bills (sell): one-month 10 11/32 per cent; three months 10 7/32 per cent; six months 9 15/16 per cent; Bank Bills (sell): one-month 10 11/16 per cent; three months 10 7/16 per cent; Treasury Bills: Average tender rate of discount 10.2845 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1991. Agreed rates for period Aug 26,1991 to September 24, 1991, Scheme I: 12.31 p.c., Schemes II & III: 12.38 p.c. Reference rate for period June 29, 1991 to July 31, 1991, Scheme IV&V: 11.138 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ from August 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent, one-three months 10 per cent, three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7½ per cent from July 15 1991. Deposits withdrawn for cash 5 per cent.



# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

[illegible]

# JOTTER PAD

# CROSSWORD

**No.7,619 Set by TANTALUS**

ACROSS
1 Pester a burrowing animal (6)
4 Shorten an agreement (8)
10 Converted man races to be on time for the eucharist (9)
11 Criticise cook (5)
12 Figure in music once very famous (4)
13 Clue for pointer (10)
15 Marvellous tape played back to worker (7)
16 Monkey makes a glaring mistake (6)
19 Unlimited coffers (6)
21 Seeing the devil, withdraw from competition (7)
23 Medal given last month before public address (10)
25 Advance look at article (4)
27 Initially not against the aborigines living in S. Africa (5)
28 Explosion in pit – mate gets restless (9)
29 Gross as a wild gulf-weed (8)
30 Lessons in speech (6)

DOWN
1 Fish I catch with cradle (8)
2 Physician with Greek character turning up for degree (9)
3 Manx antelope shows impetuosity (4)
5 Odd sort in Germany I find an escapist (7)
6 What root treated right produces the bellflower? (10)
7 An accountant on Rhode Island discovers mites (5)
8 It rises and beats giants (6)
9 Nurse gets number up with fanfare (6)
14 Bullfighter's dart could be a real blind! (10)
17 He doesn't think much of himself! (9)
18 Host at an assembly sees personification of death (8)
20 Sells saltier ingredients (7)
21 Cylinders taken up to sailing vessels (6)
22 A fellow is killed by a wild boar (6)
24 Many blend tea on river and provide food (5)
26 Attempt to make a thrust (4)

Solution to Puzzle No.7,618

# WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | JAPAN | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

## CANADA

TORONTO

3:00 pm prices August 12

MONTREAL

3:00 pm prices August 12

## INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

**Saturday August 10: Taiwan Weighted Price: 5207.01 Korea Comp Ex. 741.58.
‡ Subject to official recalculation. † Corrected figure. *Calculated at 15.00 GMT.
Base values of all indices are 100 except; BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

## TOKYO - Most Active Stocks

Monday, August 12, 1991

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Kobe Steel | 8.0 | 472 | -8 | M'bishi Mat. | 3.0 | 556 | -34 |
| Nippon Steel | 4.7 | 397 | -4 | M'bishi Heavy | 2.7 | 890 | -14 |
| Nippon Carbon | 3.9 | 891 | -4 | Hitachi | 2.6 | 1,090 | -10 |
| Komatsu | 3.6 | 828 | -2 | Nippon Mining | 2.3 | 516 | -24 |
| Chiyoda Corp. | 3.0 | 1,740 | -160 | K'saki Steel | 1.8 | 377 | -14 |

*3:15 pm prices August 12*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18⅞ | 9¼ | AAR Corp x | 0.48 | 0.03 | 18 | 270 | 16¼ | 16⅛ | 16¼ | +⅛ |
| 18¾ | 14½ | A L Labs A | 0.16 | 0.01 | 19 | 415 | 17⅞ | 17⅝ | 17⅝ | +⅛ |
| 55¾ | 40⅞ | AMP Inc x | 1.44 | 0.03 | 19 | 474 | 51 | 50½ | 51 | +½ |
| 68⅝ | 44¼ | AMR | | | 11 | 1186 | 62⅜ | 61⅞ | 62 | −⅜ |
| 2⅝ | 1¼ | ARX | | | 1 | 15 | 1½ | 1⅜ | 1½ | |
| 58 | 41½ | ASA | 3.50 | 0.07 | 14 | 55 | 50½ | 50¼ | 50¼ | −¼ |
| 66¼ | 39¼ | Abbott Lab | 1.00 | 0.02 | 22 | 2326 | 54½ | 53⅞ | 54½ | +⅝ |
| 14½ | 9⅞ | Abitibi Pr | 0.50 | 0.04 | 26 | 31 | 14⅛ | 14⅛ | 14⅛ | |
| 11⅝ | 10⅜ | ACM Gvt In x | 1.26 | 0.11 | | 452 | 11⅛ | 10⅞ | 11⅛ | |
| 9¾ | 8¾ | ACM GrOpp x | 1.01 | 0.11 | | 192 | 9¼ | 9⅛ | 9¼ | |
| 9¼ | 8¼ | ACM Gvt Sp x | 1.01 | 0.11 | | 179 | 9⅛ | 9 | 9 | |
| 11 | 9⅞ | ACM Gvt Se x | 1.26 | 0.12 | | 503 | 10⅝ | 10½ | 10½ | |
| 8½ | 7⅝ | ACM Man y | 1.01 | 0.12 | | 585 | 8⅜ | 8¼ | 8¼ | |
| 12⅞ | 11½ | ACM Mmgd x | 1.35 | 0.11 | | 341 | 12⅜ | 12⅛ | 12¼ | −⅛ |
| 7½ | 4¾ | Acme Cleve x | 0.40 | 0.06 | 17 | 30 | 6¾ | 6⅝ | 6⅝ | −⅛ |
| 6 | 3½ | Acme Elect | | | 38 | 5 | 3⅞ | 3¾ | 3⅞ | |
| 40 | 22¾ | Acuson | | | 22 | 477 | 33 | 32½ | 32½ | −½ |
| 18¾ | 14¼ | Adams Expr | 0.48 | 0.02 | 0 | 116 | 18⅝ | 18⅜ | 18½ | −⅛ |
| 20⅛ | 17½ | Adobe12Pf | 2.40 | 0.14 | | 46 | 17⅝ | d17½ | 17½ | |
| 9¼ | 6¾ | Adobe Res | | | 20 | 28 | 7 | 6⅞ | 6⅞ | |
| 38⅜ | 18 | Ad Micro | | | | 10 | 35 | 34⅞ | 34⅞ | |
| 14¼ | 4⅝ | Ad Micro P | 3.00 | 0.27 | 18 | 1010 | 11⅛ | 11 | 11⅛ | +⅛ |
| 5⅛ | 2¾ | Advest Grp | 0.18 | 0.04 | 6 | 29 | 4 | 3⅞ | 3⅞ | −⅛ |
| 49½ | 33⅞ | Aetna Lf | 2.76 | 0.08 | 7 | 1056 | 36½ | 36¼ | 36½ | +⅜ |
| 10⅝ | 6⅝ | Afill A x | 0.24 | 0.03 | 46 | 80 | 8½ | 8⅜ | 8⅜ | |
| 20¼ | 12 | Ahmanson x | 0.88 | 0.05 | 11 | 782 | 18⅝ | 18 | 18½ | +⅛ |
| 12¾ | 2⅞ | Aileen Inc | | | 14 | 859 | 11⅞ | 10⅞ | 11⅛ | +¼ |
| 74⅛ | 51⅜ | Air Pr Chm | 1.58 | 0.02 | 14 | 694 | 66½ | 65⅞ | 66⅛ | −¼ |
| 30 | 16⅝ | Airbne Frt | 0.30 | 0.01 | 19 | 610 | 28⅝ | 28¼ | 28½ | +¼ |
| 18⅞ | 12½ | Airgas Inc | | | 87 | 256 | 16 | 15¾ | 15¾ | |
| 15⅛ | 10 | Airlease | 2.08 | 0.18 | 6 | 105 | 11⅞ | 11⅝ | 11¾ | −⅛ |
| 94 | 88¼ | AlaPw8 16 | | | | z100 | u94½ | 94½ | 90 | −3½ |
| 26⅛ | 21⅜ | AlaPw PfA | 2.00 | 0.08 | | 11 | u25⅛ | 25⅛ | 25⅛ | |
| 104½ | 100 | AlaPw9 44 | | | | z100 | 100 | 101½ | 103 | |
| 106 | 102⅝ | Alab Pw 11 | | | | 2 | 104 | 104 | 104 | |
| 102½ | 98 | Alab Pw 9P | | | | z100 | 99½ | 99½ | 100½ | +1 |
| 98 | 86 | Alab 8.28C | | | | 2 | 95 | 94¼ | 94¼ | |
| 10¼ | 9⅜ | AlaPwDpPf | | | | 8 | 10⅛ | 10 | 10 | |
| 25⅜ | 17½ | Alaska Air | 0.20 | 0.01 | 104 | 68 | 23 | 22¾ | 23 | +¼ |
| 20 | 10 | Albany Int | 0.35 | 0.02 | 61 | 50 | 18⅞ | 18⅝ | 18¾ | +⅛ |
| 34¼ | 20½ | AlCulvr B x | 0.22 | 0.01 | 17 | 19 | 24¼ | 24 | 24⅛ | −⅛ |
| 24⅞ | 16¾ | AlCulvr A x | 0.22 | 0.01 | 14 | 46 | 19⅜ | 19 | 19⅜ | +¼ |
| 51⅜ | 32⅝ | Albertsons x | 0.56 | 0.01 | 21 | 1342 | 39 | 38¾ | 38⅞ | +⅛ |
| 23¾ | 18½ | Alcan Alum | 0.60 | 0.03 | 17 | 353 | 20¼ | 20⅛ | 20⅛ | −⅛ |
| 35⅞ | 29 | Alco Stand | 0.88 | 0.03 | 17 | 1562 | 33⅛ | 33 | 33⅛ | +⅛ |
| 29⅛ | 20¼ | Alexr Alex | 1.00 | 0.04 | 18 | 182 | 22 | 21¾ | 22 | +¼ |
| 37½ | 19¾ | Alexanders | | | 86 | z100 | 32¾ | 32¼ | 32⅞ | |
| 29⅛ | 21¾ | Allegh Lud | 0.88 | 0.04 | 17 | 556 | 25¼ | 24⅞ | 25 | −½ |
| 41⅝ | 35 | Allegh Pow | 3.16 | 0.08 | 11 | 233 | 41⅜ | 41¼ | 41⅜ | |
| 20½ | 16⅝ | Allen Gp | | | | 14 | u20½ | 20¼ | 20½ | +¼ |
| 16¼ | 9¾ | Allen Con | | | 15 | 124 | 15½ | 15⅛ | 15¼ | +⅛ |
| 25½ | 16¾ | Allergan | 0.32 | 0.02 | 16 | 458 | 21 | 20½ | 20½ | −⅜ |
| 31⅜ | 15¼ | Allnce Cap x | 1.92 | 0.07 | 15 | 191 | 29¾ | 29¼ | 29½ | −⅛ |
| 13⅛ | 9⅞ | Allnce Gl | | | | 121 | 11¼ | 11¼ | 11¼ | |
| 34½ | 18¼ | All Ir Bk | | | | 48 | 23 | 22⅝ | 22⅞ | −⅛ |
| 39½ | 25⅞ | Alld Sig x | 1.80 | 0.05 | 13 | 1208 | 37⅝ | 37¼ | 37½ | −¼ |
| 10 | 8¾ | AlstMunTr x | 0.72 | 0.07 | | 93 | 9⅞ | 9¾ | 9⅞ | |
| 10 | 8⅝ | AlstIncOp x | 0.72 | 0.07 | | 217 | 9⅜ | 9⅝ | 9⅝ | −⅛ |
| 9⅞ | 8⅝ | AlstMnInc | 0.68 | 0.07 | | 11 | 9½ | 9⅜ | 9½ | |
| 9⅞ | 8¼ | AlstMnInc x | 0.72 | 0.07 | | 29 | u9⅞ | 9¾ | 9⅞ | |
| 43 | 31¾ | Alltel Crp | 1.40 | 0.04 | 16 | 255 | 38⅞ | 38⅝ | 38⅞ | +½ |
| 73⅛ | 53¾ | Alcoa x | 1.60 | 0.02 | 35 | 2024 | 68¼ | 67⅛ | 68¼ | −⅛ |
| 9⅞ | 9⅛ | AmGovInc x | 0.96 | 0.10 | | 47 | u9⅞ | 9¾ | 9⅞ | |
| 7½ | 7⅜ | Am Precis | | | | 119 | 7⅜ | d7⅛ | 7¼ | −⅛ |
| 27½ | 20⅞ | Amax x | 0.80 | 0.04 | 11 | 391 | 21⅞ | 21¼ | 21¼ | −⅜ |
| 15¾ | 11½ | Amgt Gold x | 0.08 | 0.01 | 19 | 91 | 12⅝ | 12½ | 12½ | −⅛ |
| 1⅛ | ¼ | Ambase Cp | | | 0 | 689 | ½ | 7/16 | 7/16 | |
| 13½ | 6 | Amcast Ind | 0.48 | 0.04 | 7 | 88 | 13 | 12⅞ | 12⅞ | −⅛ |
| 57¾ | 42½ | Amerada Hs | 0.60 | 0.01 | 6 | 1043 | 56⅛ | 55⅞ | 56¼ | −⅛ |
| ⅜ | 1/16 | Amdura Crp | | | 0 | 79 | 3/32 | 3/32 | 3/32 | −1/32 |
| 10⅝ | 10 | Am Adj R x | 0.84 | 0.08 | | 84 | 10⅜ | 10¼ | 10¼ | |
| 24⅛ | 18⅜ | Am Barrick | 0.10 | 0.00 | 43 | 721 | 23⅜ | 23⅛ | 23¼ | |
| 32 | 29¾ | Am Br2.75 x | | | | 29 | 31¼ | 31 | 31 | −⅜ |
| 47⅜ | 35⅝ | Am Brands x | 1.54 | 0.04 | 13 | 821 | 43¾ | 43¼ | 43¾ | +⅜ |
| 34½ | 24⅝ | Am Build M | 0.84 | 0.03 | 12 | 25 | 33⅛ | 32⅞ | 33⅛ | |
| 28¾ | 18¾ | Am Bus Prd | 0.94 | 0.03 | 13 | 13 | 28⅛ | 28 | 28⅛ | −⅛ |
| 7¼ | 5½ | Am Cap Inc x | 0.28 | 0.04 | | 252 | u7¼ | 7⅛ | 7¼ | +⅛ |
| 19¾ | 16⅝ | Am Cap Bd | 1.80 | 0.09 | 33 | 30 | u19⅛ | 18⅞ | 19 | |
| 18¾ | 16¼ | Am Cap CV | 1.40 | 0.08 | 0 | 26 | 18⅛ | 18 | 18⅛ | |
| 69 | 48½ | Am Cyanamd | 1.50 | 0.02 | 41 | 3974 | 64⅝ | 62½ | 63⅝ | −1½ |
| 30¼ | 26⅝ | Am El Powr x | 2.40 | 0.08 | 11 | 1478 | 29⅝ | 29½ | 29⅝ | |
| 30⅛ | 19⅛ | Am Express | 0.92 | 0.04 | 12 | 5064 | 26⅛ | 25¾ | 26⅛ | +⅛ |
| 27 | 17⅞ | Am Family x | 0.36 | 0.02 | 14 | 630 | 23⅞ | 23⅜ | 23⅞ | −⅛ |
| 41⅛ | 28 | Am Genl Co x | 2.00 | 0.05 | 9 | 237 | 39⅜ | 39⅛ | 39¼ | |
| 8 | 7¼ | Am Govt In x | 0.77 | 0.10 | | 122 | 7⅞ | 7¾ | 7¾ | |
| 30¼ | 22¾ | Am Hlth Pr x | 2.52 | 0.09 | 13 | 1151 | 28¾ | 28¼ | 28¼ | −⅜ |
| 32¼ | 20 | Am Heritge x | 1.05 | 0.04 | 11 | 8 | 27¾ | 27⅝ | 27⅝ | −¼ |
| 63⅞ | 48½ | Am Home Pr x | 2.30 | 0.04 | 15 | 983 | 63 | 62½ | 62¾ | |
| 3½ | 2⅞ | Am Hotels | | | 14 | 3 | 3⅛ | 3⅛ | 3⅛ | |
| 102 | 72 | Am Int Gr | 0.50 | 0.01 | 11 | 1530 | 84 | 81⅜ | 84 | +2¼ |
| 1⅞ | 1 | Am Intrnl | | | 24 | 142 | 1⅜ | 1⅝ | 1⅜ | |
| 11 | 8¾ | Am Intl Pf | | | | 6 | 10¾ | 10¾ | 10¾ | |
| 10¼ | 9⅜ | Am Opp Inc x | 1.00 | 0.10 | | 26 | 10⅛ | 10 | 10⅛ | |
| 34⅛ | 15¾ | Am Presdt x | 0.80 | 0.02 | 14 | 767 | 34 | 33⅜ | 33⅝ | −¾ |
| 11½ | 7¼ | Am Real Es | 2.00 | 0.21 | 7 | 14 | 9¾ | 9⅝ | 9⅝ | |
| 3¾ | 1 | Am Sav Bk | | | | 3 | 1¼ | 1¼ | 1¼ | |
| 2⅛ | ⅜ | Am Sv Bk | 0.20 | 0.36 | 0 | 55 | ⅝ | 9/16 | 9/16 | −1/16 |
| 4⅝ | 1¼ | Am Ship Bd | | | 2 | 21 | 2⅜ | 2⅜ | 2⅜ | |
| 46¼ | 27 | Am Stores | 0.70 | 0.02 | 15 | 231 | 42 | 41⅜ | 41⅝ | |
| 40⅛ | 29¼ | AT&T | 1.32 | 0.03 | 14 | 6698 | 39⅜ | 39¼ | 39¼ | −⅜ |
| 15½ | 13½ | Am Watr 5% x | 1.25 | 0.08 | | 6 | 15 | 15 | 15 | |
| 22½ | 15½ | Am Watr | 0.86 | 0.04 | 10 | 100 | 22¼ | 21⅞ | 22¼ | +⅛ |
| 64⅞ | 55¾ | Ameritech x | 3.40 | 0.06 | 13 | 1114 | 60⅝ | 59⅞ | 60⅝ | +½ |
| 47¼ | 32 | Ameron Inc | 1.28 | 0.04 | 14 | 11 | 33½ | 33⅛ | 33⅛ | −½ |
| 3 | ½ | Ames Dl St | | | 0 | 270 | 2⅛ | 2 | 2⅛ | +⅛ |
| 13⅜ | 8½ | Ametek Inc | 0.64 | 0.05 | 15 | 95 | 12½ | 12⅜ | 12⅜ | |
| 11 | 9⅛ | Amev Sec | 1.08 | 0.10 | 0 | 45 | u11 | 10⅞ | 10⅞ | −⅛ |
| 55 | 47 | Amoco x | 2.20 | 0.04 | 14 | 1429 | 51⅞ | 51⅜ | 51⅞ | +¼ |
| 9¼ | 6 | AmpcoPitt | 0.30 | 0.04 | 7 | 80 | 6⅞ | 6⅞ | 6⅞ | |
| 6⅞ | 2⅞ | Amre Inc | 0.12 | 0.02 | 6 | 50 | 5⅞ | 5⅝ | 5⅝ | −⅛ |
| 30¼ | 18½ | Amsouth | 1.44 | 0.04 | 9 | 482 | u32 | 30½ | 32 | +1¼ |
| 4⅝ | 1⅝ | Anacomp | | | 26 | 100 | 3⅝ | 3½ | 3½ | |
| 29¾ | 22⅝ | Anadarko | 0.30 | 0.01 | 30 | 318 | 26¾ | 26¼ | 26½ | −½ |
| 12½ | 8½ | Analog Dev | | | 43 | 1724 | 7¾ | 7¾ | 7⅞ | −⅛ |
| 40¼ | 29⅜ | Angelica | 0.88 | 0.03 | 13 | 62 | 33¼ | 33 | 33¼ | +¼ |
| 54¼ | 39⅜ | AnhsrBsch x | 1.00 | 0.02 | 16 | 2188 | 52¼ | 51⅜ | 52 | +½ |
| 27¼ | 25¼ | ANR PpePf x | | | | 105 | 25⅛ | d25 | 25 | −1 |
| 36½ | 15¾ | Anthem | | | 16 | 32 | 31¼ | 31 | 31¼ | −⅛ |
| 10½ | 6⅜ | Anthony In | 0.44 | 0.04 | 46 | 25 | 9¾ | 9⅝ | 9¾ | |
| 41¾ | 29¾ | Aon Corp x | 1.60 | 0.04 | 10 | 128 | 38 | 37⅜ | 38 | +½ |
| 17⅛ | 12 | Apache Crp | 0.28 | 0.02 | 18 | 543 | 16⅝ | 16½ | 16⅝ | +⅛ |
| 12 | 11⅛ | Apex MunF x | 0.93 | 0.08 | | 509 | 11⅝ | 11⅜ | 11½ | −⅛ |
| 92½ | 86½ | AppalPwPf | | | | 2 | 91 | 91 | 89½ | −1½ |
| 13 | 7⅝ | Appld Mag | | | 16 | 316 | 9⅛ | 9⅛ | 9⅛ | |
| 26⅛ | 19⅜ | ArcherDan x | 0.10 | 0.00 | 16 | 3433 | 24⅞ | 24⅜ | 24⅜ | −⅛ |
| 44¼ | 33¼ | Arco Cheml x | 2.50 | 0.07 | 17 | 16 | 37¾ | 37⅝ | 37⅝ | +⅛ |
| 7⅜ | 4½ | Arc Alask | | | 9 | 58 | 6⅝ | 6⅜ | 6⅝ | +⅛ |
| 20¼ | 16⅛ | Arkla | 1.08 | 0.06 | 26 | 1900 | 16⅞ | 16¾ | 16⅞ | +⅛ |
| 40⅞ | 37 | Arkla Pf | | | | 20 | 39 | 38⅝ | 38¾ | −½ |
| 15⅞ | 9¼ | Arkla Expl | 0.20 | 0.02 | 52 | 97 | 11¾ | 11⅜ | 11⅝ | −⅜ |
| 36½ | 28 | Armco 4.5P | | | | 2 | 33½ | 33½ | 33¼ | |
| 6¼ | 4 | Armco Inc | | | 4 | 798 | 4⅜ | 4⅛ | 4¼ | −⅛ |
| 20¼ | 15¼ | Armco 2.1P | | | | 13 | 18¾ | 18¾ | 18¾ | |
| 32⅜ | 22⅞ | Armstrong x | 1.20 | 0.04 | 21 | 199 | 30⅞ | 30⅛ | 30⅞ | +⅝ |
| 22 | 12⅛ | Arrw El Pf | | | | 41 | 21½ | 21¼ | 21⅜ | −⅛ |
| 12⅝ | 3⅝ | Arrow Elec | | | 23 | 93 | 11⅝ | 11½ | 11½ | |
| 13⅛ | 5¾ | Artra Grp | | | 14 | 37 | 6¼ | 6⅛ | 6¼ | |
| 26⅛ | 16¼ | Arvin Ind | 0.68 | 0.03 | 23 | 100 | 24 | 23⅝ | 23¾ | −¼ |
| 30½ | 23⅝ | Asarco Inc x | 1.60 | 0.07 | 11 | 816 | 24⅝ | 23¾ | 24⅛ | −½ |
| 28¾ | 17½ | Ashld Coal | 0.40 | 0.01 | 15 | 35 | 27⅞ | 27¾ | 27⅞ | +⅛ |
| 35⅛ | 26⅛ | Ashlnd Oil | 1.00 | 0.03 | 12 | 182 | 31 | 30⅜ | 30¾ | |
| 15⅛ | 10⅜ | Asia Pac F | | | | 48 | 13¾ | 13½ | 13⅜ | |
| 15⅝ | 8 | Asset Invr | 2.15 | 0.15 | 6 | 346 | 14⅜ | 14½ | 14½ | −⅛ |
| 26½ | 18½ | Ass Nt Gas | 0.12 | 0.00 | 25 | z100 | 25⅞ | 25⅞ | 25¾ | |
| 14⅛ | 8⅜ | Athlone x | 1.00 | 0.08 | 8 | 7 | 13⅛ | 12⅞ | 13⅛ | +⅜ |
| 320½ | 270 | Atl Rich 2 x | | | | z100 | 290 | 290 | 290¾ | +¾ |
| 34⅝ | 29¼ | Atlnta Gas x | 2.04 | 0.06 | 16 | 330 | 32⅛ | 31½ | 31¾ | −¾ |
| 6 | 2⅛ | Atlnta Soe | | | 15 | 5 | 4⅞ | 4⅞ | 5 | +⅛ |
| 37¼ | 32 | Atlntc Egy | 3.00 | 0.08 | 14 | 62 | 37 | 36⅞ | 37 | |
| 135¾ | 112 | Atl Rich x | 5.50 | 0.05 | 11 | 5245 | 118½ | 116⅝ | 117 | −0⅝ |
| 8⅝ | 5⅞ | Atlas | | | 22 | 46 | 7¼ | 7 | 7⅛ | +⅛ |
| 19 | 15¾ | Atmos Engy | 1.20 | 0.06 | 12 | 29 | 18¾ | 18⅛ | 18¾ | +⅛ |
| 23¾ | 16⅜ | Atlwds ADR | 0.91 | 0.05 | 24 | 27 | 17 | 16⅞ | 16⅞ | −⅛ |
| 8⅜ | 3¼ | Audio/Vid | | | 15 | 72 | 6⅝ | 6½ | 6⅝ | −⅛ |
| 14⅛ | 9⅛ | Augat | 0.40 | 0.04 | 18 | 111 | 11¼ | 11⅛ | 11¼ | |
| 12¾ | 9 | Austria Fd | | | | 205 | 9¼ | 9⅛ | 9⅛ | −⅛ |
| 37 | 25 | Autom Data | 0.40 | 0.01 | 10 | 528 | 33⅛ | 32⅝ | 32⅞ | −⅜ |
| 6¼ | 4⅜ | Avalon Egy | | | 10 | z100 | 4½ | d4⅜ | 4½ | |
| 22¾ | 18 | Avemco | 0.40 | 0.02 | 20 | 17 | 22⅛ | 21¾ | 21¾ | −½ |
| 30 | 23¼ | Avnet Inc | 0.60 | 0.02 | 16 | 89 | 26 | 25⅞ | 26 | |
| 48⅜ | 26⅛ | Avon Prods x | 1.40 | 0.03 | 15 | 1263 | 45¾ | 45⅜ | 45⅝ | −⅛ |
| 28 | 12⅞ | Aydin Corp | | | 14 | 33 | 25½ | 25½ | 25½ | +⅛ |

## - B -

# NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

### - X - Y - Z -

| 1991 High | 1991 Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|---|---|---|
| 60¼ | 35¼ | Xerox | 3.00 | 0.05 | 9 | 692 | 55⅝ | 55¼ | 55⅝ | +¼ |
| 51 | 43¼ | Xerox4.125 | | | | z100 | 50¾ | 50¾ | 50¾ | |
| 21¾ | 14⅛ | Xtra 1.94 x | | | | 28 | 21⅛ | 20½ | 21⅛ | −¼ |
| 24⅞ | 14¼ | Xtra Corp x | 0.72 | 0.03 | 75 | 5 | 22¾ | 22⅜ | 22⅜ | −½ |
| 24¼ | 21⅜ | Yankee Egy | 1.60 | 0.07 | 11 | 32 | 23½ | 23⅜ | 23½ | +⅛ |
| 1½ | ⅝ | Zapata | | | 2 | 405 | ⅞ | 13/16 | 13/16 | −1/16 |
| 9⅝ | 6⅛ | ZenithElec | | | 1 | 373 | 6⅛ | d6⅛ | 6⅛ | −⅛ |
| 18½ | 12 | Zenith Nat | 1.00 | 0.06 | 100 | 28 | 17¼ | 17⅛ | 17⅛ | −⅛ |
| 6¼ | 4½ | Zenix Inc | 0.84 | 0.14 | | 33 | 6 | 5⅞ | 6 | +⅛ |
| 15⅛ | 10⅞ | Zero Corp x | 0.40 | 0.03 | 16 | 87 | 14 | 13⅝ | 14 | +⅛ |
| 41¾ | 29½ | Zurn Ind | 0.88 | 0.02 | 16 | 441 | 39⅛ | 38¼ | 39½ | +¾ |
| 13½ | 10¼ | Zweig Fund | 1.12 | 0.09 | | 128 | 12⅜ | 12⅜ | 12⅜ | +⅛ |
| 10 | 8½ | Zweig Totl x | 0.96 | 0.10 | | 471 | u10 | 9⅞ | 10 | |

*Price data supplied by Telekurs.*

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

*3:00 pm prices August 12*

[illegible]

# NASDAQ NATIONAL MARKET

*3:00 pm prices August 12*

[illegible]

### - X - Y - Z -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Xilinx | | 35 | 868 | 28½ | 28 | 28 | −½ |
| XL Data | | 36 | 1924 | 12¼ | 11⅞ | 12 | −⅛ |
| Xoma Corp | | 10 | 2085 | 19 | 18¼ | 18¾ | |
| Yellow Fr x | 0.94 | 16 | 272 | 30½ | 30⅛ | 30⅛ | −¼ |
| York Rsch | | 8 | 1443 | 7⅛ | 6⅞ | 7 | +½ |
| ZionsUtah | 1.44 | 9 | 5 | 47¼ | 46 | 46 | −1 |

AMERICA

# Dow remains in doldrums despite banking merger

## Wall Street

A BILLION-DOLLAR merger that will create the nation's biggest banking group failed to lift the market out of its summer doldrums yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was 5.37 lower at 2,990.83. The more broadly based Standard & Poor's 500 moved in similar fashion, easing 0.64 to 386.48. Once again the Nasdaq composite of over-the-counter stocks outperformed other indices, rising 0.18 to 508.49 on the back of heavy demand for technology issues. Turnover on the NYSE was a light 83m shares at 1 pm, and declines outpaced rises by 816 to 596.

Although there were expectations of another *easing in* monetary policy by the Federal Reserve, investors remained unwilling to part with their money until either rates were cut again, or they saw distinct signs of an improvement in the economy.

Trading was dominated by the third big bank merger of the summer. After Chemical and Manufacturers Hanover, and NCNB and C&S/Sovran, it was the turn yesterday of BankAmerica and Security Pacific, two West Coast banks, to announce an impending marriage.

The straight stock swap deal (0.88 of a new BankAmerica share for each SecPac share) energised the banking sector, pushing BankAmerica $⅝ higher to $38 on volume of *2.2m shares, and* SecPac $3⅝ higher to $31⅞ on 4.3m shares.

First Interstate, regarded as the next likely merger target in California, jumped $5 to $32⅞ on 1m shares, while Wells Fargo, tipped as a possible *partner for First Interstate,* climbed $2 to $74¼.

Other gains were recorded by Chase Manhattan, up $¾ at $20, Citicorp, $½ higher at $14¼, and Barnett Banks, up $1⅛ at $33⅝.

Salomon, the securities house, dropped $3½ to $31¼ on volume of 1.3m shares in the wake of Friday's news that various regulatory authorities, *including the Justice Department,* were investigating the firm's government bond department over allegations of bid-rigging in Treasury auctions. The firm has already admitted to some rule infractions and suspended four employees.

Delta Airlines slipped $¼ to $72¾. The creditors of Pan Am agreed to a new $1.7bn offer for most of its assets from Delta. News of the deal left Pan Am shares up $5/16 at $9/16. *AMR,* parent group of American Airlines, which also bid for Pan Am assets, slid $⅜ to $62¼, while another bidder, UAL, eased $¼ to $142½.

The over-the-counter market was buoyed by strong demand for leading technology stocks. Apple rose $1¼ to $52, Microsoft put on $2¼ *to* $83, Intel climbed $⅝ to $48½, and Sun Microsystems added $1 to $32¾.

## Canada

*TORONTO stocks were slightly* lower in thin trading after recovering from a moderate drop at midday. The composite index fell 6.3 to 3,496.4, but stood above a low of 3,494.64. Declines led advances by 196 to 113, *with transactions* valued at C$86.4m on volume of 7.1m shares.

All sectors were weaker, with the exception of the financial services, which was up 1.77 at 2,728.26. Among the most active stocks were Loewen Group, which was up C$⅛ at C$14¾, and Royal Bank, which *was steady at C$26⅛.*

In the mining and oil sector, Ranger Oil fell C$¼ to C$8½ and Lac Minerals was steady at C$9¾.

## SOUTH AFRICA

JOHANNESBURG registered small gains, as political uncertainty depressed activity. The industrial index edged up 12 to a record high of 4,119. The all-gold index ended at 1,286, up 1, and the all-share index advanced 17 to 3,507.

ASIA PACIFIC

# Profit-taking tips Nikkei 1.9% lower as holiday nears

## Tokyo

*SHARE PRICES succumbed to* profit-taking yesterday as the traditional Obon holiday period approached, *writes Neil Weinberg in Tokyo.*

The Nikkei average dropped 446.95 or 1.9 per cent to *22,985.67, dropping below 23,000* for the first time since July 27. It opened at the day's high of 23,414.55 and closed at the day's low. Declines outnumbered gains by 896 to 70 with 103 issues unchanged. At 180m shares, *volume remained below* 200m for the seventh consecutive trading day.

The Topix index of all first section shares fell 28.64 to 1,776.17 and the second section index lost 42.42 to 2,973.61, *although in London trading* the ISE/Nikkei 50 index firmed 0.87 to 1,354.56.

Equities suffered a sharp setback at the afternoon opening on unsubstantiated reports that a handful of well-known companies faced bankruptcy over the next few weeks owing to poor business performances and a cut-off of bank credit.

*The day's declines touched* all sectors, including shipping, paper and pulp, chemicals, construction, road builders, steel, heavy machinery and electricals.

Large-capital and interest rate-sensitive shares, which gained last week, sustained some of the largest losses. *Kobe Steel led market turnover* and shed Y8 to Y472.

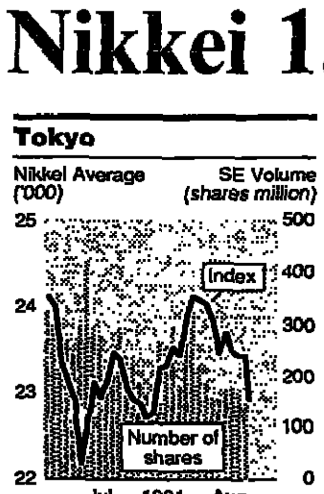
Among leading electronics companies, Pioneer fell Y40 to Y3,570, setting a year's low for the second consecutive trading day, amid worsening earnings prospects. *Sony dropped below* Y6,000 for the first time in more than a month, ending down Y80 at Y5,970.

Oil issues continued to retreat after rising early last week. Nippon Oil lost Y29 to Y931 *and Cosmo Y35 to* Y730.

Brokerages were lower on persistent scandal worries and talk of liberalising commissions. Nomura weakened Y90 to Y1,600, Nikko Y64 to Y900 and Sanyo Y30 to Y831.

High-priced shares also performed poorly. Nintendo fell Y800 to Y11,200 and Aoyama Trading Y350 to Y8,900.

**Tokyo**




Source: Datastream

Green Cross was among the few winners, attracting buyers on an improved profits outlook. It rose Y20 to Y1,050. *Banks fared relatively well,* with Long-Term Credit Bank of Japan up Y10 at Y1,520 and Sumitomo Y10 at Y2,230.

The market is expected to remain choppy this week in low volume as many dealers and investors turn their attention to vacations.

Investors are also fearful of possible sharp declines in the *market,* given the so-called four Y1 trillion concerns. These refer to the more than Y1 trillion each in margin contracts that will soon expire, September futures-Nikkei index arbitrage positions, investment trust *funds that* could be cancelled and possible new equity offers.

However, Mr Robert Feldman, Salomon Brothers Asia vice-president, said the market could overcome these obstacles. Heavy futures expiries had come and gone in the past without precipitous share price *declines and investment trusts* had already been unloading shares, he said.

He added that Euroyen rates were reflecting expectations of a cut in interest rates over the next six months, which could *support the stock market.*

In Osaka, the OSE index fell 408.19 to 25,208.65. Ono Pharmaceutical shed Y180 to Y3,250 in line with broadly lower drug and chemical issues.

## Roundup

A RENEWAL of confidence helped Hong Kong to an all-time high yesterday, but most other Pacific Rim markets fell sharply after losses in Tokyo and the US. Bangkok was closed.

**HONG KONG** rebounded and hit a record peak as investors *decided that last week's* rumours about Standard Chartered Bank were unfounded. The Hang Seng index added 46.13 or 1.1 per cent at 4,070.14, but closed below the session's best of 4,079. Turnover slipped to *HK$1.35bn from HK$1.46bn.*

HSBC Holdings was the most active stock as it gained *HK$1.10 to HK$30.*

**AUSTRALIA** was sharply weaker following the falls in Tokyo and on Wall Street, and on disappointment over the absence of an interest rate cut. The All Ordinaries index lost 18.5 or 1.2 per cent to 1,565.7 in turnover of A$269m, up from A$195m.

News Corp again bucked the trend, rising 12 cents to A$9.36, after advancing to A$9.60 in New York on Friday. The *share price has jumped 13.6 per* cent in six trading days.

**NEW ZEALAND** shed 1.3 per cent in response to falls on overseas markets. The NZSE-40 index slipped 18.54 to 1,437.19 as turnover decreased to NZ$26m from NZ$33m.

**SINGAPORE** encountered profit-taking on its return from Friday's holiday. The Straits Times Industrial index dipped 22.50 or 1.5 per cent to 1,440.08 and volume contracted to 34m shares from 43m.

Investors were discouraged by Thursday's news of a fall in gross domestic product growth *in the second quarter.*

**KUALA LUMPUR** also declined, with the composite index finishing 7.33 or 1.3 per cent off at 558.10.

**SEOUL** dropped on follow-through selling. The composite index, which lost 28.55 on Saturday, ended 15.52 or 2.2 per cent lower at 706.06. Turnover swelled to Won394bn from Won328bn.

**TAIWAN** lost ground on profit-taking. The weighted index dropped 49.35 to 5,157.66 in turnover of T$41.7bn, up from Saturday's T$39.1bn.

**JAKARTA** moved higher in fairly busy trading. The index appreciated 5.67 to 337.64 in volume of 3m shares.

EUROPE

# Continent begins countdown to Bundesbank decision

BOURSES remained paralysed yesterday in the run-up to Thursday's meeting of the German Bundesbank. The summer holidays also kept trading thin, *writes Our Markets Staff.*

**FRANKFURT** began the countdown to Thursday's Bundesbank council meeting, its first after the summer break. The DAX index traded in a narrow range before closing *down 6.15 at 1,626.06,* just above the day's low of 1,624.37. The FAZ index slipped 1.48 to 675.89, as volume fell to DM3.02bn from DM4.6bn.

Trading was forecast to remain quiet until after Thursday, when the Bundesbank is expected to raise German interest rates in an attempt to cool *down the economy. However,* dealers said that financial markets had already discounted a half-point rise in the Lombard rate to 9.5 per cent and a full-point rise in the discount rate to 7.5 per cent.

Car manufacturers eased after their rally last week. BMW lost DM4 to DM523 and Daimler DM1.10 to DM742.

In the retail sector, Karstadt rose DM2.50 to DM591 in an expected recovery after its rights stopped trading last *Thursday. Schering* also bucked the trend, adding DM2.20 to DM807 after its recent weakness in reaction to its disappointing first-half results. Baring and Nikko have issued favourable recommen*dations on Schering in the last* few weeks.

**AMSTERDAM** eased in low volume. The CBS tendency index closed down 0.4 at 91.9.

The trading group Internatio-Müller fell Fl 4 to Fl 69 as speculators sold out after Internatio's rejection last week of a merger with fellow trading *conglomerate Hagemeyer.*

Hoogovens, the steel company, recouped a loss in earlier trading of Fl 1.60 to close unchanged at Fl 59.80, ahead of its interim results tomorrow. Goldman Sachs has issued a favourable report on Hoogovens, citing its recovery potential in 1992 as steel and aluminium prices bottom out.

**MILAN** closed down but off the day's lows on options expiry day. Dealers noted that most call options had been abandoned. The Comit index fell 2.26 to 564.66 in volume estimated at more than Friday's L75bn. Trading was expected to stay subdued ahead of the holidays on Thursday and Friday.

Banking and cement *shares* resisted the selling pressure. Banca Commerciale Italiana gained L15 to L4,790, while Italcementi, which on Friday announced it was taking a 45 per cent stake in a Czechoslovakian cement producer, added L10 to L22,410.

**PARIS** saw turnover dwindle *to FFr776m by the official mar*ket close, compared with FFr1.64bn on Friday. The bourse is shut on Thursday and Friday, which has tempted investors to take the whole week as holiday.

The CAC 40 index reached a day's low of 1,771.44, before closing at 1,780.38, down 3.16 *on the day and little changed* from its opening level.

Michelin, the tyremaker, continued to attract buyers, as it gained another FFr3.50 or 3.2 per cent to FFr113 on heavy volume of 443,151 shares. It was one of only five stocks to record trading volumes of more than 100,000 shares.

***MADRID*** was barely changed in light trading. The general index eased 0.07 to 270.11 in turnover similar to Friday's Pta7.5bn.

Investors were waiting for the July inflation figure, expected today, but one analyst said that there was unlikely to be much action before the Bund*esbank's meeting on Thursday.* He forecast a month-on-month rise in inflation of 1.2 per cent and a year-on-year figure of 6.1 per cent, adding that this was towards the top end of the range of predictions.

**ZURICH** drifted sideways in lethargic dealings. The Crédit Suisse index fell 0.9 to 545.5. In *the chemicals sector,* Ciba-Geigy bearer shares moved against the trend, rising SFr20 to SFr2,930.

Feldschloesschen, the brewery, saw its bearers rise SFr90 to SFr3,290, after a press report that the merger between the company and Sibra Holding was still on schedule, in spite of speculation that the deal was in difficulties.

***STOCKHOLM*** was little changed in sluggish trading. The Affärsvärlden General index eased 3.30 to 1,092.90 in turnover of SKr215m, down from SKr370m. Ericsson fell SKr3 to SKr177 on relatively heavy volume of 250,000 shares, amid worries about its forthcoming earnings report, due next week.

**OSLO** eased in light volume, with the all-share index falling 2.36 to 511.85 in turnover of NKr175m. **BRUSSELS** also fell in thin trading. The Bel20 index closed down 6.24 points at 1,142.53, near the day's low of 1,141.40.

**VIENNA** was vulnerable after its weakness last week. The all-share bourse index slipped 1.97 to 514.16, its lowest level since mid-February.

**ISTANBUL** surged 9.2 per cent in an optimistic welcome to weekend press reports of *early elections. The 75-share* index closed at 3,621.55, up 305.67 points.

**FT-SE Eurotrack 100 - Aug 12**

**Hourly changes**

| Open | 10 am | 11 am | Noon | 1 pm | 2 pm | 3 pm | Close |
|---|---|---|---|---|---|---|---|
| 1106.40 | 1106.28 | 1107.18 | 1107.50 | 1107.06 | 1107.18 | 1106.72 | 1107.42 |

Day's High 1108.32 Day's Low 1106.05

| Aug 9 | Aug 8 | Aug 7 | Aug 6 | Aug 5 |
|---|---|---|---|---|
| 1110.85 | 1111.44 | 1113.11 | 1105.49 | 1110.63 |

Base value 1000 (26/10/90)

# Malaysia falls prey to interest rate fears

By Antonia Sharpe

MALAYSIA was the *worst casualty* in a general easing by stock markets last week. According to the FT-Actuaries, the World Index fell 0.8 per cent in local currency terms.

The index was also particularly burdened by a 2.2 per cent decline in Tokyo, in some of the thinnest Japanese trad*ing for seven years.*

The main reason for the 5.2 per cent drop in Kuala Lumpur was last Tuesday's jump in interbank rates, according to Hoare Govett, the London-based broker. It believes that *foreign and domestic institu*tions are likely to avoid the market in the near future, on fears of higher interest rates and expectations of slower earnings per share growth next year. A mixed interim results season is unlikely to help the Malaysian market to regain favour with investors for now, the broker adds.

Half-year results and the direction of interest rates also dominated European trading *last* week. The unexpected timing of the US Federal Reserve's decision to ease monetary policy lifted most bourses early in the week. But *they fell back as investors* retreated ahead of this Thursday's Bundesbank council meeting, at which it could raise its interest rates to rein in German inflation.

Italy led the European losses with a fall of 2.8 per cent in local currency terms. But Milan's drop came in thin *trading, dominated* by technical transactions ahead of the close of the August trading account this week.

Sweden's 2.6 per cent fall was perhaps more worrying, as volume was relatively high *and reflected investors' fears* that the current interim results season would be disappointing. The general election scheduled for September has also prompted selling.

Mr Roddy Bridge at UBS Phillips & Drew has reduced his year-end target from 1,100 to 1,050 on the Affärsvärlden General index, to reflect the six-month outlook for Swedish engineers. "The market is vulnerable to disappointing Q2 statements," he warns.

**MARKETS IN PERSPECTIVE**

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1991 | Start of 1991 | Start of 1991 |
| Austria | −2.54 | −6.52 | −25.03 | +1.58 | +0.97 | −11.27 |
| Belgium | +0.15 | +0.04 | −4.20 | +14.24 | +13.18 | −0.54 |
| Denmark | −1.14 | −0.71 | +6.03 | +27.63 | +25.52 | +10.30 |
| Finland | +0.20 | +3.13 | −16.69 | +12.20 | +10.97 | −2.48 |
| France | +0.85 | +1.14 | −1.10 | +16.05 | +14.35 | +0.49 |
| Germany | +1.09 | −1.78 | −9.86 | +12.08 | +10.39 | −2.99 |
| Ireland | −1.49 | +4.62 | −3.12 | +18.32 | +17.22 | +3.01 |
| Italy | −2.78 | −0.48 | −15.51 | +8.85 | +8.03 | −5.07 |
| Netherlands | −1.70 | +0.96 | +7.23 | +19.75 | +18.00 | +3.70 |
| Norway | +1.18 | +1.17 | −14.37 | +13.82 | +12.83 | −0.85 |
| Spain | −0.75 | +0.96 | +1.24 | +20.53 | +21.18 | +6.58 |
| Sweden | −2.55 | −4.60 | −6.88 | +32.35 | +35.05 | +18.68 |
| Switzerland | −0.27 | +0.86 | +6.88 | +25.14 | +19.95 | +5.42 |
| UK | −1.12 | +3.17 | +13.57 | +19.65 | +19.65 | +5.15 |
| EUROPE | −0.62 | +1.25 | +2.90 | +17.63 | +16.66 | +2.51 |
| Australia | +0.06 | +3.62 | +3.83 | +25.57 | +45.15 | +27.56 |
| Hong Kong | −1.17 | +2.64 | +31.62 | +36.89 | +56.54 | +37.55 |
| Japan | −2.16 | +0.43 | −9.44 | +4.57 | +18.00 | +3.69 |
| Malaysia | −5.22 | −5.36 | −0.37 | +3.74 | +15.07 | +1.11 |
| New Zealand | −0.38 | −2.92 | −22.09 | +12.60 | +24.63 | +9.49 |
| Singapore | −0.90 | +1.54 | +2.78 | +23.08 | +41.52 | +24.37 |
| Canada | −0.77 | −0.39 | −0.02 | +5.28 | +21.26 | +6.57 |
| USA | +0.13 | +2.08 | +14.62 | +17.88 | +34.15 | +17.68 |
| Mexico | −3.74 | +0.25 | +112.02 | +91.43 | +110.56 | +85.03 |
| South Africa | +1.44 | +1.83 | +8.40 | +28.18 | +55.31 | +36.48 |
| WORLD INDEX | −0.84 | +1.28 | +2.96 | +13.62 | +24.56 | +9.46 |

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**FT-ACTUARIES WORLD INDICES**

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | FRIDAY AUGUST 9 1991 | | | | | | | | THURSDAY AUGUST 8 1991 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1991 High | 1991 Low | Year ago (approx) |
| Australia (69) | 150.59 | −0.4 | 131.64 | 130.22 | 135.25 | 127.83 | −0.4 | 5.03 | 151.23 | 132.01 | 130.49 | 135.55 | 128.30 | 151.58 | 112.74 | 147.86 |
| Austria (20) | 174.48 | −0.1 | 152.53 | 150.89 | 156.71 | 155.38 | −0.4 | 1.82 | 174.74 | 152.53 | 150.78 | 156.63 | 155.97 | 222.37 | 167.00 | 249.31 |
| Belgium (47) | 131.51 | −0.6 | 114.96 | 113.71 | 118.11 | 115.29 | −0.1 | 5.14 | 132.26 | 115.45 | 114.11 | 118.55 | 115.46 | 151.20 | 121.73 | 148.91 |
| Canada (114) | 138.57 | −0.4 | 121.13 | 119.82 | 124.44 | 115.04 | −0.4 | 3.29 | 139.10 | 121.42 | 120.01 | 124.67 | 115.48 | 142.27 | 126.49 | 138.28 |
| Denmark (37) | 256.60 | −0.8 | 224.31 | 221.90 | 230.46 | 233.31 | −0.4 | 1.51 | 258.67 | 225.79 | 223.19 | 231.85 | 234.13 | 270.56 | 217.74 | 265.46 |
| Finland (16) | 100.58 | +0.2 | 87.92 | 86.98 | 90.33 | 88.03 | +0.6 | 2.74 | 100.35 | 87.59 | 86.59 | 89.94 | 87.53 | 125.15 | 90.00 | 133.64 |
| France (109) | 132.39 | −0.2 | 115.73 | 114.46 | 118.90 | 122.01 | −0.1 | 3.64 | 132.67 | 115.80 | 114.46 | 118.90 | 122.11 | 152.26 | 120.60 | 147.84 |
| Germany (65) | 108.55 | −0.2 | 94.89 | 93.88 | 97.49 | 97.49 | +0.0 | 2.31 | 108.80 | 94.97 | 93.89 | 97.51 | 97.51 | 125.35 | 102.03 | 131.27 |
| Hong Kong (55) | 167.55 | −0.8 | 146.47 | 144.89 | 150.49 | 166.97 | −0.8 | 4.18 | 168.84 | 147.38 | 145.68 | 151.34 | 168.28 | 169.57 | 119.62 | 126.46 |
| Ireland (18) | 152.93 | −1.1 | 133.69 | 132.24 | 137.35 | 139.25 | −0.5 | 3.59 | 154.56 | 134.92 | 133.36 | 138.54 | 139.92 | 182.46 | 132.88 | 172.76 |
| Italy (77) | 74.34 | −0.8 | 64.99 | 64.28 | 66.76 | 71.81 | −0.6 | 3.25 | 74.92 | 65.40 | 64.64 | 67.15 | 72.24 | 88.23 | 69.89 | 97.77 |
| Japan (474) | 129.37 | −0.7 | 113.09 | 111.87 | 116.21 | 111.87 | −0.5 | 0.75 | 130.33 | 113.76 | 112.45 | 116.83 | 112.45 | 146.97 | 118.35 | 129.48 |
| Malaysia (68) | 214.50 | −0.1 | 187.51 | 185.48 | 192.64 | 228.92 | +0.0 | 2.89 | 214.65 | 187.36 | 185.20 | 192.38 | 228.91 | 247.78 | 192.83 | 222.53 |
| Mexico (16) | 1081.43 | −1.1 | 945.36 | 935.15 | 971.26 | 3612.18 | +0.2 | 1.50 | 1093.67 | 954.65 | 943.66 | 980.26 | 3605.82 | 1152.58 | 534.45 | 553.95 |
| Netherland (31) | 138.93 | −0.5 | 121.45 | 120.14 | 124.78 | 123.49 | −0.3 | 4.34 | 139.60 | 121.86 | 120.45 | 125.13 | 123.83 | 145.73 | 125.70 | 140.90 |
| New Zealand (14) | 47.53 | −0.1 | 41.55 | 41.10 | 42.69 | 44.15 | +0.4 | 6.89 | 47.59 | 41.54 | 41.06 | 42.65 | 43.99 | 54.64 | 41.18 | 63.69 |
| Norway (32) | 202.53 | +0.0 | 177.05 | 175.14 | 181.90 | 185.56 | +0.5 | 1.58 | 202.48 | 176.74 | 174.71 | 181.49 | 184.61 | 223.24 | 182.24 | 260.91 |
| Singapore (38) | 198.08 | +0.0 | 173.15 | 171.29 | 177.89 | 157.05 | +0.0 | 2.18 | 198.13 | 172.95 | 170.96 | 177.59 | 157.05 | 208.25 | 151.63 | 181.76 |
| South Africa (61) | 249.61 | +0.4 | 218.20 | 215.84 | 224.17 | 174.60 | +0.4 | 3.11 | 248.74 | 217.12 | 214.62 | 222.94 | 173.99 | 258.85 | 173.00 | 192.30 |
| Spain (54) | 149.55 | −1.0 | 130.73 | 129.32 | 134.31 | 122.42 | −0.5 | 4.38 | 151.09 | 131.88 | 130.37 | 135.42 | 122.99 | 171.12 | 131.51 | 162.37 |
| Sweden (25) | 189.23 | +0.5 | 165.42 | 163.64 | 169.96 | 175.72 | +0.9 | 2.53 | 188.32 | 164.39 | 162.50 | 168.80 | 174.18 | 204.12 | 146.60 | 215.77 |
| Switzerland (58) | 93.75 | +0.0 | 81.95 | 81.07 | 84.21 | 87.97 | +0.3 | 2.19 | 93.71 | 81.80 | 80.86 | 84.01 | 87.67 | 100.67 | 82.17 | 99.31 |
| United Kingdom (240) | 174.20 | −1.2 | 152.28 | 150.63 | 156.44 | 152.28 | −1.0 | 4.62 | 176.31 | 153.90 | 152.11 | 158.01 | 153.90 | 187.44 | 156.27 | 168.52 |
| USA (527) | 157.15 | −0.5 | 137.38 | 135.90 | 141.15 | 157.15 | −0.5 | 3.08 | 157.93 | 137.86 | 136.28 | 141.56 | 157.93 | 158.31 | 125.95 | 135.36 |
| Europe (829) | 137.91 | −0.7 | 120.56 | 119.26 | 123.87 | 122.77 | −0.5 | 3.89 | 138.92 | 121.26 | 119.86 | 124.52 | 123.41 | 151.52 | 125.50 | 147.24 |
| Nordic (110) | 187.66 | −0.2 | 164.05 | 162.28 | 168.55 | 165.74 | +0.3 | 1.96 | 187.98 | 164.06 | 162.18 | 168.47 | 165.29 | 200.81 | 155.55 | 210.58 |
| Pacific Basin (718) | 130.91 | −0.7 | 114.44 | 113.21 | 117.58 | 113.70 | −0.5 | 1.11 | 131.84 | 115.08 | 113.76 | 118.17 | 114.28 | 145.92 | 117.86 | 130.01 |
| Euro – Pacific (1547) | 134.02 | −0.7 | 117.16 | 115.88 | 120.36 | 118.09 | −0.5 | 2.24 | 134.98 | 117.82 | 116.46 | 120.98 | 118.70 | 147.66 | 121.29 | 137.38 |
| North America (641) | 155.93 | −0.5 | 136.31 | 134.85 | 140.07 | 154.31 | −0.5 | 3.10 | 156.69 | 136.77 | 135.21 | 140.47 | 155.06 | 157.08 | 125.91 | 135.45 |
| Europe Ex. UK (589) | 116.29 | −0.4 | 101.66 | 100.58 | 104.46 | 105.76 | −0.1 | 3.18 | 116.71 | 101.87 | 100.72 | 104.63 | 105.88 | 129.80 | 106.85 | 133.26 |
| Pacific Ex. Japan (244) | 146.20 | −0.4 | 127.81 | 126.45 | 131.32 | 130.01 | −0.4 | 4.33 | 146.86 | 128.19 | 126.74 | 131.65 | 130.53 | 147.60 | 111.40 | 135.49 |
| World Ex. US (1738) | 135.95 | −0.7 | 118.84 | 117.57 | 122.10 | 119.46 | −0.5 | 2.29 | 136.88 | 119.48 | 118.11 | 122.69 | 120.04 | 148.16 | 122.32 | 138.19 |
| World Ex. UK (2025) | 139.01 | −0.5 | 121.52 | 120.22 | 124.86 | 129.14 | −0.4 | 2.33 | 139.78 | 122.01 | 120.61 | 125.29 | 129.68 | 145.77 | 120.06 | 132.96 |
| World Ex. So. Af. (2204) | 141.37 | −0.6 | 123.58 | 122.26 | 126.98 | 130.95 | −0.5 | 2.58 | 142.26 | 124.17 | 122.76 | 127.52 | 131.61 | 148.66 | 122.92 | 135.78 |
| World Ex. Japan (1791) | 150.17 | −0.6 | 131.27 | 129.87 | 134.89 | 142.01 | −0.5 | 3.43 | 151.01 | 131.81 | 130.31 | 135.37 | 142.68 | 152.83 | 126.69 | 140.92 |
| The World Index (2265) | 142.08 | −0.6 | 124.20 | 122.87 | 127.62 | 131.33 | −0.5 | 3.59 | 142.96 | 124.78 | 123.35 | 128.14 | 131.98 | 149.01 | 123.28 | 136.12 |

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Latest prices were unavailable for this edition. Singapore market closed August 9

## FT LAW REPORTS

# Lonrho can sue government on lost Harrods bid

LONRHO PLC v TEBBITT AND ANOTHER

Chancery Division: Sir Nicolas Browne-Wilkinson, Vice-Chancellor: July 26 1991

A NEGLIGENT decision made by a government department *in the improper exercise of an* operational statutory power may in some circumstances be actionable by a private individual, whereas negligent exercise of a policy discretion is not. Accordingly his claim will not be struck out on the ground that it discloses no reasonable cause of action, if a full trial is necessary to establish whether or not the decision was an operational rather than a policy decision, or whether exercise of the power gave rise to a private law duty of care to the plaintiff.

Sir Nicolas Browne-Wilkinson V-C so held when refusing an application by the defendants, Mr Norman Tebbitt as secretary of state for trade and industry, and the Department *of Trade and Industry (DTI), to* strike out a negligence claim against them by Lonrho plc.

THE VICE-CHANCELLOR said that on its statement of claim Lonrho alleged that in March 1979 it held 29.9 per cent of House of Fraser plc. It made a bid for all the shares.

The secretary of state referred the matter to the Monopolies and Mergers Commission (MMC).

*The MMC reported that the* proposed merger might operate against the public interest. The DTI obtained from Lonrho an undertaking not to acquire 30 per cent or more of the equity share capital.

*On November 2 1984 Lonrho* sold the majority of its shareholding to the El Fayed com*pany, now called House of* Fraser Holdings Ltd. It made representations to the DTI that it should be released from its undertaking.

On February 14 on a second reference, the MMC reported that a takeover by Lonrho would not operate contrary to public interest.

*On March 4 Holdings made a* bid for House of Fraser. Lonrho renewed its applications to be released *from its undertaking* as a matter of urgency.

By March 11 Holdings had acquired more than 50 per cent of House of Fraser shares. On March 14 the DTI released Lonrho from the undertaking. By then Holdings had acquired control.

The DTI determined not to refer the Holdings bid to the MMC in reliance on statements and assurances given by Holdings. It was alleged that those statements and assurances *were fraudulent and that Lon*rho had drawn their falsity to the DTI's attention.

The statement of claim alleged that the DTI owed Lonrho a duty to exercise its duties and powers with regard to the undertaking with reasonable care; and that it acted without reasonable care by failing to release Lonrho from the undertaking until March 14.

The secretary of state had power under section 64 of the Fair Trading Act 1973 to make both references to the MMC *relating to a merger of Lonrho* and House of Fraser.

Once the MMC had made its second report the secretary of state had no power to make any new order to restrict Lonrho's ability to bid. But the Act was *completely silent as to* what was to happen to an existing undertaking where a fresh report concluded that merger was not contrary to public interest.

Mr Laws for the defendants *accepted there must* be an implied obligation on the secretary of state to consider whether the undertaking should be released. But he submitted it was a public law obligation, and did not give rise to *private law rights.*

Mr Beveridge for Lonrho submitted there must be an implied obligation to release an undertaking which was no longer justified, giving rise to a duty of care under private law.

The defendants applied to strike out the claim on grounds that the statement of *claim disclosed no reasonable* cause of action, or was an abuse of the process of the court.

Mr Laws said first that the issue was not justiciable since it raised matters of state policy.

Lonrho's case was based solely on negligence. Improper exercise of statutory powers did not by itself give rise to civil liability.

*Private law liability for* improper exercise could only arise if the defendant acted knowingly in excess of powers or maliciously, if the statute was for protection of a specific class of the public, or if the power had been exercised negligently in breach *of a private* law duty of care to the plaintiff.

Lonrho's claim was that the defendants were negligent in failing to release the undertaking in due time.

*The fact that an allegedly* negligent act was done in the course of exercising statutory powers was not by itself fatal to a negligence claim (see *Dorset Yacht [1970] AC 1004).*

Where exercise of a statutory discretion involved the weighing of competing public interests, no private law duty of care arose, because *the matter* was not justiciable by the courts (see *Anns [1978] AC 728* and *Takaro [1988] AC 473).*

A distinction was drawn between "policy discretions" and "operational powers". Operational powers involved the carrying out of policy decisions. The exercise of operational statutory powers could, but not necessarily would, give rise to a private law duty of care.

The question was whether timing the release of the undertaking was a policy rather than an operational decision.

It had not been demonstrated that the decision when to release the undertaking was a policy decision. For all the present court knew the reason for delay was a purely administrative blunder (for example, the papers being wrongly filed).

Therefore the action could not be struck out on the ground that the issue was not justiciable by the court.

Mr Laws submitted that the court would not entertain the claim because the defendants' powers gave rise to no duty of care.

When the MMC reported that a takeover by Lonrho was no longer contrary to the public interest, there must have been an implied duty at least in public law *beyond a mere* duty to consider the position. There arose a clear duty to release the undertaking, the *condition* precedent to its extraction having disappeared.

The question was whether the secretary of state was also under a private law duty to exercise reasonable care in the prompt discharge of such duty.

Most of the badges of a duty of care were present. Damage *to Lonrho through failure* to release the undertaking was plainly foreseeable. Given that Lonrho and the DTI were parties to a specific undertaking the *requirement of proximity* was surely satisfied. The critical question was whether it was "fair, just and reasonable" (*Caparo [1990] 2 WLR 358,365*) to impose a private law duty of care in such a case.

*The court knew nothing of* the circumstances in which the delay occurred. It was asked to decide on the existence of a private law duty of care in the absence of detailed factual allegations, let alone knowledge of the facts themselves.

Where it was impossible on pleaded facts to determine the considerations *relevant to exer*cise of statutory powers, it was not appropriate to determine on a striking out whether their *exercise gave rise to a private* law duty of care.

The facts should be determined at trial and the law laid down by reference to the particular facts so found.

Lonrho's claim was for economic loss alone. Mr Laws submitted that the relationship between Lonrho and the defendants was not sufficiently proximate to give rise to a duty of care to prevent economic loss.

That question would be better decided by the trial judge in the light of all the circumstances he would then know. But it was strongly arguable that, if the defendants were *under a private law duty of* care at all, the relationship was sufficiently proximate.

The defendants contended it was an abuse of process for the case to be brought by action in ordinary courts, since Lonrho's claim raised questions of public law which could only be properly raised in judicial review proceedings (see *O'Reilly v Mackman [1983] 2 AC 237).*

The essence of the claim was for breach of a private law right, that is, a claim in negligence. The case was wholly appropriate for decision in the ordinary courts.

An application for leave to amend the statement of claim to allege a contractual relationship between Lonrho and the defendants arising from the undertaking, was granted.

*For Lonrho: John Beveridge QC and David Pannick (Denton Hall Burgin & Warrens).*

*For the defendants: John Laws (Treasury Solicitor).*

**Rachel Davies**

*Barrister*